



**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Polaris Joint Vocational School District
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Polaris Joint Vocational School District, Cuyahoga County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison of the General Fund and the Miscellaneous Federal Grants Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended June 30, 2003, the District has restated the compensated absences and implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosure*, and Governmental Accounting Standards Board Statement Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by the U. S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

August 25, 2004

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of the Polaris Joint Vocational School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The District showed a decrease in net assets of \$2,504,775 during this year's operations. Net assets of governmental activities decreased \$2,409,089, while business-type activities showed a decrease in net assets of \$95,686.
- Total District wide revenues were \$18,073,765. General revenues accounted for \$11,285,764 and program revenues accounted for \$3,412,562 of government activities.
- Total program expenses were \$20,558,603; \$16,650,502 Governmental Activities and \$3,908,101 in Business Type Activities.
- Outstanding debt was eliminated from a balance of \$5,484 in 2002.
- The District's business type activities are comprised of the Food Service program, the Uniform School Supplies program, Customer Service programs and the Adult and Community Education program. The Adult Education and Food Service Funds have regularly run deficits which required a transfer of General Fund monies. Operational changes in both funds are anticipated to reduce future draws out of the General Fund.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational program and other factors.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and miscellaneous federal grants fund.

Governmental Funds: Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds: Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

The District as a Trustee

The District is a trustee or fiduciary for several programs. These activities are presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2003 compared to 2002.

	Table 1 Net Assets					
	Governmental Activities 2003	Business- Type Activities 2003	Total 2003	Governmental Activities 2002	Business- Type Activities 2002	Total 2002
Assets:						
Current and Other Assets	\$15,876,933	\$200,601	\$16,077,534	\$15,961,507	\$339,983	\$16,301,490
Capital Assets	8,736,985	248,566	8,985,551	8,734,800	246,450	8,981,250
Total Assets	24,613,918	449,167	25,063,085	24,696,307	586,433	25,282,740
Liabilities						
Current and Other Liabilities	9,335,987	118,674	9,454,661	8,033,315	235,310	8,268,625
Long Term Liabilities						
Due Within One Year	1,024,028	167,135	1,191,163	123,445	0	123,445
Due More Than One Year	3,781,512	117,219	3,898,731	3,658,067	209,298	3,867,365
Total Liabilities	14,141,527	403,028	14,544,555	11,814,827	444,608	12,259,435
Net Assets:						
Invested in Capital Assets Net of Debt	8,736,985	248,566	8,985,551	8,734,800	246,450	8,981,250
Restricted	640,800	49,898	690,698	651,253	0	651,253
Unrestricted (Deficit)	1,094,606	(252,325)	842,281	3,495,427	(104,625)	3,390,802
Total Net Assets	\$10,472,391	\$46,139	\$10,518,530	\$12,881,480	\$141,825	\$13,023,305

The District was able to maintain its financial health while addressing stagnant revenues, slow federal reimbursements and rising costs.

Table 2 highlights the District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting. Revenue is further divided into two major components: Program Revenue and General Revenue. Program revenue is defined as fees, restricted grants and charges for services. General revenues include taxes and unrestricted grants such as state foundation support. Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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Since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. However, this table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusions about the District's current financial status and possibly project future problems.

**Table 2
Program Revenues and Expenses**

	Governmental Activities	Business Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$60,995	\$2,754,210	\$2,815,205
Operating Grants	3,351,567	372,809	3,724,376
General Revenues:			
Property Taxes	8,010,633	0	8,010,633
Grants and Entitlements	2,980,652	0	2,980,652
Other	294,479	248,420	542,899
Total Revenues	14,698,326	3,375,439	18,073,765
Transfer In	0	451,106	451,106
Total Revenues and Transfers	14,698,326	3,826,545	18,524,871
Program Expenses			
Instruction:			
Regular	62,446	0	62,446
Special	31,942	0	31,942
Vocational	5,749,412	0	5,749,412
Adult/Continuing	136,797	0	136,797
Support Services:			
Pupils	1,673,160	0	1,673,160
Instructional Staff	1,583,964	0	1,583,964
Board of Education	89,127	0	89,127
Administration	884,185	0	884,185
Fiscal	618,214	0	618,214
Business	236,563	0	236,563
Operation & Maintenance of Plant	1,678,143	0	1,678,143
Pupil Transportation	88,473	0	88,473
Central	1,309,892	0	1,309,892
Operation of Non-Instructional Services	1,980,464	0	1,980,464
Extracurricular Activities	27,907	0	27,907
Capital Outlay	379,507	0	379,507
Pass Through Payments	120,306	0	120,306
Enterprise Operations	0	3,908,101	3,908,101
Total Expenses	16,650,502	3,908,101	20,558,603
Sale of Fixed Assets	0	(14,130)	14,130
Transfer Out	(456,913)	0	456,913
Total Expenses, Sale of Assets, Transfers	17,107,415	3,922,231	21,043,76
(Decrease) in Net Assets	\$(2,409,089)	\$(95,686)	\$(2,504,775)

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Analysis of Overall Financial Position and Results of Operation

The financial position of the District has declined primarily due the utilization of net assets to fund compensated absences. Also, property tax revenue decreased from fiscal year 2002. The higher amount for fiscal year 2002 resulted from the Cuyahoga County Treasurer sending the semi-annual tax bills out earlier in the month of June than in past years and the current year. This resulted in more payments reaching the County Treasurer before fiscal year end. The District has implement measures to reduce spending.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$5,980,597	\$4,411,352
Support Services:		
Pupils	1,673,160	868,860
Instructional Staff	1,583,964	1,215,281
Board of Education	89,127	89,127
Administration	884,185	750,118
Fiscal	618,214	618,214
Business	236,563	236,563
Operation & Maintenance of Plant	1,678,143	1,678,143
Pupil Transportation	88,473	88,473
Central	1,309,892	773,625
Operation of Non-Instructional Services	1,980,464	1,980,464
Extracurricular Activities	27,907	27,907
Capital Outlay	379,507	379,507
Pass Through Payments	120,306	120,306
Total Expenses	\$16,650,502	\$13,237,940

The District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,317,843 and expenditures of \$15,570,249. The net change in fund balance for the year was most significant in the General Fund, where the unreserved balance decreased by \$1,604,555 in 2003.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

During the course of fiscal 2003, the District amended its general fund budget monthly as defined by individual team needs. The District uses electronic budgeting process to submit requests for inclusion in the June appropriation submission to the Board.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003 the District had \$8,985,550 invested in land, buildings, equipment, and vehicles; \$8,736,985 in governmental activities. Table 4 shows fiscal 2003 balances compared to 2002.

**Table 4
Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$261,490	\$261,490	\$0	\$0	\$261,490	\$261,490
Building Improvements	19,274	19,274	0	0	19,274	19,274
Buildings	6,121,104	6,321,948	0	0	6,121,104	6,321,948
Furniture & Equipment	2,214,088	1,990,761	248,566	246,448	2,462,654	2,237,209
Vehicles	121,029	141,327	0	0	121,029	141,327
Totals	\$8,736,985	\$8,734,800	\$248,566	\$246,448	\$8,985,551	\$8,981,248

The increase was the result of normal capital purchases.

Debt

At June 30, 2003, the District had no bonds and notes outstanding; a capital lease contract expired in 2003. Table 5 summarizes debt outstanding.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities 2003	Governmental Activities 2002
Capital Leases	\$0	\$5,484
Total	\$0	\$5,484

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

District Outlook

Most of the District's efforts are focused on controlling expenses. Reduction of capital purchases and staffing are first priorities with negotiations in Fiscal Year 2004 critical to containing staff compensation and fringe benefits. The recent membership in a multi-district health consortium has held rate increases to single digits for health care.

Because the District is at the 2 mill floor for Joint Vocational School operations it receives regular tax revenue growth every third year. That growth has slowed recently. Until it increases or investment income improves the key to the future is in controlling costs.

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POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,511,479	\$103,761	\$6,615,240
Cash and Cash Equivalents:			
Materials and Supplies Inventory	19,113	5,278	24,391
Accounts Receivable	4,523	132,883	137,406
Intergovernmental Receivable	19,138	959	20,097
Internal Balances	42,280	(42,280)	0
Property Taxes Receivable	9,280,400	0	9,280,400
Nondepreciable Capital Assets	261,490	0	261,490
Depreciable Capital Assets, Net	8,475,495	248,566	8,724,061
<i>Total Assets</i>	<u>24,613,918</u>	<u>449,167</u>	<u>25,063,085</u>
Liabilities			
Accounts Payable	55,186	7,719	62,905
Accrued Wages and Benefits	748,142	92,257	840,399
Intergovernmental Payable	98,002	18,064	116,066
Matured Interest Payable	250	0	250
Claims Payable	58,037	0	58,037
Compensated Absences	144,705	0	144,705
Deferred Revenue	8,231,665	634	8,232,299
Long Term Liabilities:			
Due Within One Year	1,024,028	167,135	1,191,163
Due In More Than One Year	3,781,512	117,219	3,898,731
<i>Total Liabilities</i>	<u>14,141,527</u>	<u>403,028</u>	<u>14,544,555</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	8,736,985	248,566	8,985,551
Restricted for:			
Capital Projects	399,556	0	399,556
Set Asides	241,244	0	241,244
Other Purposes	0	49,898	49,898
Unrestricted (Deficit)	1,094,606	(252,325)	842,281
<i>Total Net Assets</i>	<u>\$10,472,391</u>	<u>\$46,139</u>	<u>\$10,518,530</u>

See accompanying notes to the basic financial statements.

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$62,446	\$0	\$234,617	\$172,171	\$0	\$172,171
Special	31,942	0	0	(31,942)	0	(31,942)
Vocational	5,749,412	60,995	804,400	(4,884,017)	0	(4,884,017)
Adult/Continuing	136,797	0	469,233	332,436	0	332,436
Support Services:						
Pupil	1,673,160	0	804,300	(868,860)	0	(868,860)
Instructional Staff	1,583,964	0	368,683	(1,215,281)	0	(1,215,281)
Board of Education	89,127	0	0	(89,127)	0	(89,127)
Administration	884,185	0	134,067	(750,118)	0	(750,118)
Fiscal	618,214	0	0	(618,214)	0	(618,214)
Business	236,563	0	0	(236,563)	0	(236,563)
Operation and Maintenance of Plant	1,678,143	0	0	(1,678,143)	0	(1,678,143)
Pupil Transportation	88,473	0	0	(88,473)	0	(88,473)
Central	1,309,892	0	536,267	(773,625)	0	(773,625)
Operation of Non-Instructional Services	1,980,464	0	0	(1,980,464)	0	(1,980,464)
Extracurricular Activities	27,907	0	0	(27,907)	0	(27,907)
Capital Outlay	379,507	0	0	(379,507)	0	(379,507)
Pass Through Payments	120,306	0	0	(120,306)	0	(120,306)
Total Governmental Activities	16,650,502	60,995	3,351,567	(13,237,940)	0	(13,237,940)
Business-Type Activities						
All Other Enterprise Funds	529,129	237,608	17,886	0	(273,635)	(273,635)
Adult and Community Education	3,378,972	2,516,602	354,923	0	(507,447)	(507,447)
Total Business-Type Activities	3,908,101	2,754,210	372,809	0	(781,082)	(781,082)
Totals	\$20,558,603	\$2,815,205	\$3,724,376	(\$13,237,940)	(\$781,082)	(\$14,019,022)

General Revenues

Property Taxes Levied for:					
General Purposes			\$8,010,633	\$0	\$8,010,633
Grants and Entitlements not Restricted to Specific Programs			2,980,652	0	2,980,652
Investment Earnings			172,407	0	172,407
Miscellaneous			122,072	248,420	370,492
Total General Revenues			11,285,764	248,420	11,534,184
Sale of Fixed Assets			0	(14,130)	(14,130)
Transfers			(456,913)	451,106	(5,807)
Total General Revenues, Sale of Assets and Transfers			10,828,851	685,396	11,514,247
Change in Net Assets			(2,409,089)	(95,686)	(2,504,775)
Net Assets Beginning of Year - (See Note 3)			12,881,480	141,825	13,023,305
Net Assets End of Year			\$ 10,472,391	\$ 46,139	\$ 10,518,530

See accompanying notes to the basic financial statements.

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Balance Sheet
Governmental Funds
June 30, 2003

	General Fund	Miscellaneous Federal Grants Funds	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,181,330	\$2,292	\$455,376	\$5,638,998
Restricted Assets - Equity in Pooled Cash and Cash Equivalents	241,244	0	0	241,244
Materials and Supplies Inventory	18,874	0	0	18,874
Accounts Receivable	4,762	0	0	4,762
Interfund Receivable	42,280	0	0	42,280
Intergovernmental Receivable	14,000	5,138	0	19,138
Property Taxes Receivable	9,280,400	0	0	9,280,400
Total Assets	14,782,890	7,430	455,376	15,245,696
Liabilities				
Accounts Payable	54,716	87	383	55,186
Accrued Wages and Benefits	745,463	1,685	994	748,142
Intergovernmental Payable	94,529	196	3,277	98,002
Matured Bonds Payable	0	0	250	250
Compensated Absences Payable	144,705	0	0	144,705
Deferred Revenue	8,599,441	0	0	8,599,441
Due to Other Funds	3,544	6	0	3,550
Total Liabilities	9,642,398	1,974	4,904	9,649,276
Fund Balances				
Reserved for Encumbrances	150,700	0	2,954	153,654
Reserved for Inventory	19,113	0	0	19,113
Reserved for Budget Stabilization	241,244	0	0	241,244
Reserved for Property Tax	722,247	0	0	722,247
Unreserved:				
Undesignated:				
General Fund	4,007,188	0	0	4,007,188
Special Revenue Funds	0	5,456	47,962	53,418
Capital Projects Funds	0	0	399,556	399,556
Total Fund Balances (Deficits)	5,140,492	5,456	450,472	5,596,420
Total Liabilities and Fund Balances	\$14,782,890	\$7,430	\$455,376	\$15,245,696

See accompanying notes to the basic financial statements.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2003*

Total Governmental Funds Balances	\$5,596,420
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	8,736,985
Due to other funds includes workers' compensation premiums paid out of the agency fund	
General Fund	3,544
Federal Miscellaneous Funds	<u>6</u>
Total	3,550
Long-term liabilities, including compensated absences is not due and payable in the current period and therefore is not reported in the funds	(4,805,540)
The internal service fund used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	573,200
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. This deferral is attributable to property taxes	367,776
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$10,472,391</u></u>

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General Fund	Miscellaneous Federal Grants Funds	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$7,642,857	\$0	\$0	\$7,642,857
Intergovernmental	3,369,172	2,192,743	773,554	6,335,469
Interest	172,407	0	0	172,407
Tuition and Fees	60,995	0	0	60,995
Miscellaneous	106,115	0	0	106,115
<i>Total Revenues</i>	11,351,546	2,192,743	773,554	14,317,843
Expenditures				
Current:				
Instruction:				
Regular	0	0	62,446	62,446
Special	31,942	0	0	31,942
Vocational	4,839,346	39,453	187,775	5,066,574
Adult/Continuing	3,197	0	133,600	136,797
Support Services:				
Pupil	1,343,390	0	174,413	1,517,803
Instructional Staff	1,379,974	0	115,716	1,495,690
Board of Education	84,591	0	0	84,591
Administration	749,867	0	37,489	787,356
Fiscal	576,021	0	0	576,021
Business	240,024	0	0	240,024
Operation and Maintenance of Plant	1,757,660	0	0	1,757,660
Pupil Transportation	12,695	0	0	12,695
Central	1,077,970	100,598	49,828	1,228,396
Operation of Non-Instructional Services	0	2,045,090	0	2,045,090
Pass Through Payments	0	0	119,750	119,750
Extracurricular Activities	27,907	0	0	27,907
Capital Outlay	379,507	0	0	379,507
<i>Total Expenditures</i>	12,504,091	2,185,141	881,017	15,570,249
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,152,545)	7,602	(107,463)	(1,252,406)
Other Financing Sources (Uses)				
Sale of Fixed Assets	395	0	0	395
Refunds Prior Year	12,312	0	0	12,312
Transfers In	0	0	7,804	7,804
Transfers Out	(464,717)	0	0	(464,717)
<i>Total Other Financing Sources (Uses)</i>	(452,010)	0	7,804	(444,206)
<i>Net Change in Fund Balances</i>	(1,604,555)	7,602	(99,659)	(1,696,612)
<i>Fund Balances (Deficits) Beginning of Year - Restated (See Note 3)</i>	6,745,047	(2,146)	550,131	7,293,032
<i>Fund Balances (Deficits) End of Year</i>	<u>\$5,140,492</u>	<u>\$5,456</u>	<u>\$450,472</u>	<u>\$5,596,420</u>

See accompanying notes to the basic financial statements.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$1,696,612)

***Amounts reported for governmental activities in the
statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	493,610	
Current Year Depreciation	<u>(461,210)</u>	
Total		32,400

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets. There were no proceeds.

(30,215)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes		367,776
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(61,960)

Due to other funds includes workers' compensation premiums paid out of the agency fund

General Fund	3,544	
Federal Miscellaneous Funds	<u>6</u>	
Total		3,550

Some expenses reported in the statement of activities, such as compensated absences which represents a contractually required pension contribution, does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds

Compensated Absences		(1,024,028)
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<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$2,409,089)</u></u>
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**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
For the Fiscal Year Ended June 30, 2003*

	<u>General Fund</u>			Variance with Final Budget Favorable (Unfavorable)	<u>Miscellaneous Federal Grants Funds</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Budgeted Amounts</u>				<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues								
Taxes	\$8,435,893	\$8,494,268	\$8,593,784	\$99,516	\$0	\$0	\$0	\$0
Intergovernmental	3,388,119	3,328,906	3,328,906	0	2,100,000	2,290,566	2,190,566	(100,000)
Interest	175,000	176,551	176,551	0	0	0	0	0
Tuition and Fees	44,000	46,970	46,970	0	0	0	0	0
Miscellaneous	51,750	106,442	106,442	0	0	0	0	0
Total Revenues	12,094,762	12,153,137	12,252,653	99,516	2,100,000	2,290,566	2,190,566	(100,000)
Expenditures								
Current:								
Instruction:								
Vocational	5,321,283	5,523,931	4,867,944	655,987	30,000	40,000	38,948	1,052
Other	0	3,804	3,197	607	0	0	0	0
Support Services:								
Pupils	1,455,389	1,461,181	1,364,874	96,307	0	0	0	0
Instructional Staff	1,478,697	1,533,886	1,363,851	170,035	0	0	0	0
Board of Education	77,250	108,629	90,762	17,867	0	0	0	0
Administration	844,076	820,256	704,113	116,143	0	0	0	0
Fiscal	560,422	578,217	565,951	12,266	0	0	0	0
Business	262,602	285,079	236,114	48,965	0	0	0	0
Operation and Maintenance of Plant	1,970,824	2,070,225	1,772,196	298,029	0	0	0	0
Pupil Transportation	102,850	106,600	14,169	92,431	0	0	0	0
Central	1,161,156	1,297,922	1,065,187	232,735	65,000	105,000	101,038	3,962
Operation of Non-Instructional Services	0	0	0	0	2,000,000	2,078,065	2,055,168	22,897
Extracurricular Activities	21,599	29,786	28,673	1,113	0	0	0	0
Capital Outlay	732,400	873,913	427,486	446,427	0	0	0	0
Total Expenditures	13,988,548	14,693,429	12,504,517	2,188,912	2,095,000	2,223,065	2,195,154	27,911
Excess of Revenues Over (Under) Expenditures	(1,893,786)	(2,540,292)	(251,864)	2,288,428	5,000	67,501	(4,588)	(72,089)
Other Financing Sources (Uses)								
Proceeds from Sale of Fixed Assets	0	0	395	395	0	0	0	0
Refund of Prior Year Expenditures	(600,000)	(600,000)	14,312	614,312	0	0	0	0
Refund of Prior Year Receipts	0	0	(2,000)	(2,000)	0	0	0	0
Advances In	0	0	383,238	383,238	0	0	9,841	9,841
Advances Out	(200,000)	(200,000)	(58,021)	141,979	0	0	(2,961)	(2,961)
Transfers Out	(300,000)	(700,000)	(464,717)	235,283	0	0	0	0
Total Other Financing Sources (Uses)	(1,100,000)	(1,500,000)	(126,793)	1,373,207	0	0	6,880	6,880
Net Change in Fund Balance	(2,993,786)	(4,040,292)	(378,657)	3,661,635	5,000	67,501	2,292	(65,209)
Fund Balance Beginning of Year	4,983,862	4,983,862	4,983,862	0	0	0	0	0
Prior Year Encumbrances Appropriated	588,945	588,945	588,945	0	0	0	0	0
Fund Balance End of Year	\$2,579,021	\$1,532,515	\$5,194,150	\$3,661,635	\$5,000	\$67,501	\$2,292	(\$65,209)

See accompanying notes to the basic financial statements

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Enterprise Funds			Governmental Activities Internal Service Fund
	Adult and Community Education	All Other Non-Major Enterprise	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$5,041	\$98,720	\$103,761	\$631,237
<i>Receivables:</i>				
Accounts	131,189	1,694	132,883	0
Intergovernmental	0	959	959	0
Inventory Held for Resale	0	4,540	4,540	0
Materials and Supplies Inventory	0	738	738	0
<i>Total Current Assets</i>	136,230	106,651	242,881	631,237
<i>Noncurrent Assets:</i>				
<i>Capital Assets:</i>				
Depreciable Capital Assets	178,800	69,766	248,566	0
<i>Total Noncurrent Assets</i>	178,800	69,766	248,566	0
<i>Total Assets</i>	315,030	176,417	491,447	631,237
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	2,460	5,259	7,719	0
Accrued Wages	84,733	7,524	92,257	0
Intergovernmental Payable	14,788	3,276	18,064	0
Compensated Absences Payable	152,546	14,589	167,135	0
Due to Other Funds	0	42,280	42,280	0
Deferred Revenue	0	634	634	0
Claims Payable	0	0	0	58,037
<i>Total Current Liabilities</i>	254,527	73,562	328,089	58,037
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable	117,219	0	117,219	0
<i>Total Long-Term Liabilities</i>	117,219	0	117,219	0
<i>Total Liabilities</i>	371,746	73,562	445,308	58,037
Net Assets				
Invested in Capital Assets, Net of Related Debt	178,800	69,766	248,566	0
Restricted for Other Purposes	0	49,898	49,898	0
Unrestricted (Deficit)	(229,667)	(22,658)	(252,325)	573,200
<i>Total Net Assets</i>	(\$50,867)	\$97,006	\$46,139	\$573,200

See accompanying notes to the basic financial statements.

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Enterprise Funds			Governmental Activity Internal Service Fund
	Adult and Community Education	All Other Non-Major Enterprise	Total	
Operating Revenues				
Tuition	\$2,457,425	\$0	\$2,457,425	\$0
Sales	59,177	237,608	296,785	0
Miscellaneous	72,799	167,123	239,922	317,421
<i>Total Operating Revenues</i>	<i>2,589,401</i>	<i>404,731</i>	<i>2,994,132</i>	<i>317,421</i>
Operating Expenses				
Salaries	2,454,478	115,416	2,569,894	0
Fringe Benefits	341,283	48,628	389,911	0
Purchased Services	312,907	1,194	314,101	13,001
Materials and Supplies	238,380	330,244	568,624	0
Depreciation	19,005	5,045	24,050	0
Capital Outlay	11,728	27,020	38,748	0
Other	1,002	1,771	2,773	366,380
<i>Total Operating Expenses</i>	<i>3,378,783</i>	<i>529,318</i>	<i>3,908,101</i>	<i>379,381</i>
<i>Operating Income (Loss)</i>	<i>(789,382)</i>	<i>(124,587)</i>	<i>(913,969)</i>	<i>(61,960)</i>
Non-Operating Revenues (Expenses)				
Loss on Disposal of Assets	(13,735)	(395)	(14,130)	0
Miscellaneous	0	8,498	8,498	0
Operating Grants	354,923	17,886	372,809	0
<i>Total Non-Operating Revenues (Expenses)</i>	<i>341,188</i>	<i>25,989</i>	<i>367,177</i>	<i>0</i>
<i>Income (Loss) before Transfers</i>	<i>(448,194)</i>	<i>(98,598)</i>	<i>(546,792)</i>	<i>(61,960)</i>
Transfers In	392,910	58,196	451,106	0
<i>Change in Net Assets</i>	<i>(55,284)</i>	<i>(40,402)</i>	<i>(95,686)</i>	<i>(61,960)</i>
<i>Net Assets Beginning of Year</i>	<i>4,417</i>	<i>137,408</i>	<i>141,825</i>	<i>635,160</i>
<i>Net Assets (Deficit) End of Year</i>	<i>(\$50,867)</i>	<i>\$97,006</i>	<i>\$46,139</i>	<i>\$573,200</i>

See accompanying notes to the basic financial statements.

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Enterprise Funds			Governmental Activities Internal Service Fund
	Adult and Community Education	All Other Enterprise Funds	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,559,279	\$237,314	\$2,796,593	\$0
Other Cash Receipts	72,799	165,887	238,686	353,784
Cash Payments to Employees for Services	(2,292,894)	(109,047)	(2,401,941)	0
Cash Payments for Claims	0	0	0	(366,380)
Cash Payments for Employee Benefits	(521,107)	(35,488)	(556,595)	0
Cash Payments for Goods and Services	(564,962)	(360,258)	(925,220)	(13,001)
Net Cash Provided by (Used in) Operating Activities	(746,885)	(101,592)	(848,477)	(25,597)
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	354,924	25,837	380,761	0
Transfer In	392,909	58,196	451,105	0
Net Cash Provided by (Used in) Noncapital Financing Activities	747,833	84,033	831,866	0
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(37,986)	(884)	(38,870)	0
Net Increase (Decrease) in Cash and Cash Equivalents	(37,038)	(18,443)	(55,481)	(25,597)
Cash and Cash Equivalents Beginning of Year	42,079	117,163	159,242	656,834
Cash and Cash Equivalents End of Year	\$5,041	\$98,720	\$103,761	\$631,237

(Continued)

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Cash Flows
Proprietary Funds (continued)
For the Fiscal Year Ended June 30, 2003

	Enterprise Funds			Governmental Activities Internal Service Fund
	Adult and Community Education	All Other Enterprise Funds	Total	
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Loss	(\$789,382)	(\$124,348)	(\$913,730)	(\$61,960)
Adjustments:				
Depreciation	19,005	5,045	24,050	0
(Increase) Decrease in Assets:				
Accounts Receivable	42,489	(1,413)	41,076	70
Intergovernmental Receivable	0	(167)	(167)	0
Materials and Supplies Inventory	0	(643)	(643)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(23,087)	646	(22,441)	0
Accrued Wages	40,915	(1,763)	39,152	0
Compensated Absences Payable	54,618	20,438	75,056	0
Deferred Revenue	0	(141)	(141)	0
Intergovernmental Payable	(88,060)	754	(87,306)	0
Claims Payable	0	0	0	36,293
Due to Others	(3,383)	0	(3,383)	0
	<u>(\$746,885)</u>	<u>(\$101,592)</u>	<u>(\$848,477)</u>	<u>(\$25,597)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(\$746,885)</u>	<u>(\$101,592)</u>	<u>(\$848,477)</u>	<u>(\$25,597)</u>

See accompanying notes to the basic financial statements.

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$13,303	\$131,876
Due from Other Funds	0	3,550
 Total Assets	 13,303	 135,426
Liabilities		
Due to Other Governments	0	111,979
Due to Students	0	23,447
 <i>Total Liabilities</i>	 0	 \$135,426
 Net Assets		
Held in Trust	13,303	
 <i>Total Net Assets</i>	 \$13,303	

See accompanying notes to the basic financial statements.

POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust
Additions	
Miscellaneous Revenue	\$11,267
<i>Total Additions</i>	11,267
Deductions	
Contributions to Students	80
<i>Total Deductions</i>	80
<i>Change in Net Assets</i>	11,187
<i>Net Assets Beginning of the Year</i>	2,116
<i>Net Assets End of the Year</i>	\$13,303

See accompanying notes to the basic financial statements.

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**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 1 - Description of the School District and Reporting Entity

The basic financial statements of the Polaris Joint Vocational School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a joint vocational school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an appointed Board of Education (7 members) which is comprised of one member from each associate school district plus one rotating member from each participating district as well. Berea City School District, Brooklyn City School District, Fairview Park City School District, North Olmsted City Schools, Olmsted Falls City Schools, and Strongsville City Schools are the member districts.

Average daily membership (ADM) as of October 1, 2002, was 564. The District employed 14 administrative and supervisory personnel, 62 certified employees and 70 non-certificated employees.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, vocational, and adult education activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of their debt or the levying of their taxes. The District has no component units.

The District is associated with one jointly governed organization and one public entity risk pool, which are discussed in Notes 17 and 18 respectively.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Fund Accounting

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The District internal service fund has been reclassified with the governmental funds. Fiduciary funds are reported by fund type.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Miscellaneous Federal Grant Funds are the District's only major governmental funds:

General Fund - The General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Miscellaneous Federal Grants Funds - The Miscellaneous Federal Fund is used to account for all financial resources associated with the Alliance Grant and other miscellaneous federal grants.

Other Governmental Funds - The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Fund Accounting (Continued)

Proprietary Fund

The proprietary fund focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise; the District internal service fund has been reclassified with the governmental funds.

Enterprise Fund - The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Adult and Community Education - This fund accounts for programs and services provided for adults and community population. This program is supported by tuition, student grants and subsidy.

Other Enterprise Funds - Includes the Food Service Fund, Uniform School Supply Fund and the Customer Service Fund. These funds account for sales and services provided.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are held for payment for workers' compensation and funds due to students.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental and business type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The proprietary and the fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2003, investments were limited to repurchase agreements, STAROhio, Federal Home Loan securities, and Federal Farm Credit Bank securities.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in STAROhio (the State Treasury Asset Reserve of Ohio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$172,407.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventories consist of donated and purchased food and materials and supplies held for consumption. On the fund financial statements, inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings	50 years
Building Improvements	15 - 30 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 15 years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

K. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within a function for the general fund, and at the fund level for all other funds. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventory, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Food Service, Uniform Supply, Customer Service and Adult and Community Education enterprise funds. For the District, these revenues are sales, tuition or fees for the programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the enterprise fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

P. Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

Note 3 – Compliance and Accountability

As of June 30, 2003, the adult and community education fund has a fund deficit of \$50,867. This fund deficit resulted from the recognition of liabilities in accordance with generally accepted accounting principles. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 4 – Changes in Accounting Principles and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2003, the District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments,” GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB No. 38, “Certain Financial Statement Note Disclosures,” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements split the District’s programs between governmental and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Balances

Due to an error which occurred in the prior year’s report, the compensated absences balance was incorrectly reported and has been restated. These restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General Fund	Federal Miscellaneous Funds	All Other Governmental Funds	Governmental Funds
Fund Balance June 30, 2002	\$6,745,047	\$(2,146)	\$550,131	\$7,293,032
Prior Period Adjustments - Compensated Absences				(3,781,512)
GASB 34 Adjustments: Capital Assets				8,734,800
Internal Service Fund				635,160
Governmental Activities Net Assets, June 30, 2002				<u>\$12,881,480</u>

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 4 – Changes in Accounting Principles and Restatement of Fund Balance (Continued)

B. Restatement of Fund Balances (Continued)

The transition from proprietary retained earnings to net assets of the business type activities had no effect on fund equity as it was previously reported:

	<u>Adult and Community Education</u>	<u>All Other Enterprise</u>	<u>Business Type Activities</u>
Net Assets at June 30, 2002	\$4,417	\$137,408	\$141,825

Note 5 - Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund and the federal miscellaneous funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Miscellaneous Federal Grant Funds is as follows:

	General Fund	Miscellaneous Federal Grant Funds
Net Change in Fund Balance Major Governmental Funds		
GAAP Basis	\$(1,604,555)	\$(7,602)
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Net Adjustments to Revenue Accruals	1,286,345	(7,664)
Expenditure Accruals:		
Net Adjustments to Expenditure Accruals	(60,447)	17,558
Budget Basis	<u>\$(378,657)</u>	<u>\$ 2,292</u>

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 6 - Deposits and Investments

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 6 - Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$1,602 in petty cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$3,547,158 and the bank balance was \$4,005,216. Of the bank balance, \$117,332 was covered by federal depository insurance; and \$3,887,884 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

GASB Statement No. 3 requires District's investments to be categorized to give an indication of the level of risk assumed by the district at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value
Federal Home Loan Mortgage Company Bonds	508,915	508,915
Federal Farm Credit Bank Bonds	1,002,605	1,002,605
Repurchase Agreements	1,285,000	1,285,000
STAROhio		415,139
Total Investments	\$2,796,520	\$3,211,659

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 6 - Deposits and Investments (Continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement No. 9	\$6,760,419	\$0
Petty Cash	(1,602)	
Star Ohio	(415,139)	415,139
Federal Home Loan Securities	(1,511,520)	1,511,520
Repurchase Agreements	(1,285,000)	1,285,000
GASB Statement No. 3	\$3,547,158	\$3,211,659

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-four percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value of inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 7 - Property Taxes (Continued)

The District receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$722,247 in the General Fund. The amount available as an advance at June 30, 2002 was \$1,673,174.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$4,058,311,280	87%	\$4,100,101,250	87%
Public Utility Property	135,230,610	3%	122,987,720	3%
Tangible Personal Property	476,589,000	10%	458,035,946	10%
Total Assessed Value	\$4,670,130,890	100%	\$4,681,124,916	100%
Tax rate per \$1,000 of Assessed valuation	\$2.40		\$2.40	

Lorain County's assessed values were insignificant.

Note 8 – Intergovernmental Receivables

Receivables at June 30, 2003, consisted of property taxes, accounts (receivables, tuition and student fees), intergovernmental, accrued interest, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year except delinquent property taxes.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$14,000
Other Governmental Fund	5,138
Total Governmental Activities	19,138
Business-Type Activities	
Food Service Lunch Reimbursement	959
Total Intergovernmental Receivables	\$20,097

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at June 30, 2002	Additions	Reductions	Balance at June 30, 2003
Governmental Activities				
Land	\$261,490	\$0	\$0	\$261,490
Buildings	11,869,459	11,800	0	11,881,259
Building Improvements	192,739	0	0	192,739
Furniture and Equipment	4,045,787	481,810	65,139	4,462,458
Vehicles	274,954	0	0	274,954
Totals at Historical Cost	<u>\$16,644,429</u>	<u>\$493,610</u>	<u>\$65,139</u>	<u>\$17,072,900</u>
Less Accumulated Depreciation:				
Buildings	(5,547,511)	(212,644)	0	(5,760,155)
Building Improvements	(173,465)	0	0	(173,465)
Furniture and Equipment	(2,055,026)	(228,268)	(34,924)	(2,248,370)
Vehicles	(133,627)	(20,298)	0	(153,925)
Total Accumulated Depreciation	<u>(7,909,629)</u>	<u>(461,210)</u>	<u>(34,924)</u>	<u>(8,335,915)</u>
Governmental Activities Capital Assets, Net	<u>\$8,734,800</u>	<u>\$32,400</u>	<u>\$30,215</u>	<u>\$8,736,985</u>
	Balance at June 30, 2002	Additions	Reductions	Balance at June 30, 2003
Business-Type Activities				
Equipment	\$502,281	\$40,298	\$35,530	\$507,049
Less Accumulated Depreciation:				
Equipment	(255,833)	(24,049)	(21,399)	(258,483)
Business-Type Activities Capital Assets, Net	<u>\$246,448</u>	<u>\$16,249</u>	<u>\$14,131</u>	<u>\$248,566</u>

There was no construction in progress at June 30, 2003.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$374,747
Adult	5,915
Support Services:	
Pupil	10
Instructional Staff	14,696
Administration	1,922
Fiscal	4,003
Operation and Maintenance of Plant	10,521
Central	48,188
Community	652
Extracurricular	556
Total Depreciation Expense	<u>\$461,210</u>

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 10 - Interfund Transactions

As of June 30, 2003, the District had short-term interfund loans which are classified as receivables/payables on the fund financial statements. Also, the District transferred funds from the General Fund to various other funds within the District. An analysis of these interfund transactions follows:

	Receivables	Payables
Governmental Activities:		
General Fund	\$42,280	0
All Other Enterprise Funds:		
Customer Service Funds	0	42,280
Total	\$42,280	\$42,280
	Amount	Amount
Transfers From:		
General Fund	\$464,717	\$0
Transfers To:		
Governmental Activities		
Governmental Non-Major Funds	0	7,804
Total Governmental Activities	0	7,804
Proprietary Funds		
Adult and Community Education Fund	0	392,910
Non-Major Enterprise Funds	0	58,196
Total Proprietary Funds	0	451,106
Fiduciary		
Agency	0	5,807
Total	\$464,717	\$464,717

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the District contracted with Indiana Insurance Company for property, crime, inland marine, and automobile. The primary deductibles are \$2,500 for property and \$ 250 for inland marine. The boiler and machinery policy is provided by Travelers Insurance Company and has a \$ 1,000 deductible.

The District participates in the basic Ohio School Plan (OSP) liability program. This program consists of coverage limits of \$ 1,000,000 per occurrence, \$ 3,000,000 annual aggregate on General Liability exposures and \$ 1,000,000 per occurrence, \$ 2,000,000 annual aggregate on Education Legal Liability.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 11 - Risk Management (Continued)

Excess liability coverage is provided by the OSP program with a \$ 2,000,000 single occurrence limit and a \$ 2,000,000 aggregate limit. Violence coverage is provided by the OSP program with a \$ 1,000,000 single occurrence limit and a \$ 1,000,000 aggregate limit. The OSP is authorized under Ohio Revised Code Section 2744. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

The Board President and the Superintendent are covered with surety bonds for \$20,000. The Treasurer and Director of Business Services are also covered by a surety bond in the amount of \$20,000. These bonds are with Nationwide Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Effective January 1, 2001, the District provides vision, drug card, and dental benefits for its eligible employees and their covered dependents through its Self Insurance Fund. The District contracts with a third party administrator (Klais & Co.) to process claims. The claims liability of \$58,037 reported in the Internal Service Fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 which requires that the liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses (GASB 30). Changes in claim activity are as follows:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2002	\$51,549	\$306,665	\$336,470	\$21,744
2003	21,744	366,380	330,087	58,037

Effective October 1, 2001 the District fully funded premium plan for benefits through the Suburban Health Consortium for medical/surgical coverage.

The District cash and investments balance in the Self Insurance Fund is \$631,237 as of June 30, 2003.

A small percentage (under 10%) of the District's employees choose a Health Maintenance Organization (Kaiser Permanente) and are not part of the self-funding process. Additionally, life insurance benefits of \$50,000 including accidental death and dismemberment are provided to full time employees on a fully-funded basis.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$804,715, \$627,461, and \$556,335, respectively; 100 percent has been contributed for fiscal years 2003, 2002 and 2001. The District pays pension fund obligations when incurred.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 12 - Defined Benefit Pension Plans (Continued)

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$266,385, \$171,125 and \$119,343 respectively; 100 percent has been contributed for fiscal year 2003, 2002 and 2001. The District pays pension fund obligations when incurred.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by state statute. Both systems are funded on a pay-as-you-go-basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$61,875 during fiscal 2003.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 13 - Postemployment Benefits

STRS Ohio pays health care benefits from the Health Care Reserve fund. At June 30, 2002 (the latest information available), the balance in the fund was \$3.011 billion. For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$207,522, including the surcharge of \$17,378.

The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 were \$204,931,000 and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits.

Note 14 - Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. Only the Superintendent and twelve-month employees earn ten to twenty days of vacation per year, depending upon length of service. School support personnel accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 1 Year	10 Days
9 or more Years	15 Days
15 or more Years	20 Days

Administrators earn 20 days of vacation per year.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 340 days for classified employees and 340 days for certified employees.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 14 - Employee Benefits (Continued)

A. Compensated Absences (Continued)

Retirement Severance Pay:

Certified Employees

Five or More Years of Service. A teacher who has five (5) or more years of service with the Board may elect at the time of retirement from active service to be paid for thirty percent (30%) of the value of the teacher's accrued but unused sick leave credit to a maximum of ninety-six (96) days.

The word "retirement" shall be limited exclusively to mean full permanent retirement with regard to age and years of service under the State Teachers Retirement System law. The rate paid will be the per diem rate of the teacher's basic contract in effect at the time of retirement. Supplemental contracts, extended service or other compensation will not be included in the calculation. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the teacher. Such payment shall be made only once to any teacher.

Ten or More Years of Service. A teacher who has ten (10) or more years of service with the Board, who resigns or who is severed from employment for any reason, may elect to receive a lump sum cash payment for thirty percent (30%) of the value of the teacher's accrued but unused sick leave credit to a maximum of forty (40) days during the remainder of the term of the agreement. Such payment shall be calculated by multiplying the employee's daily rate of pay at the time of such severance of employment by the total number of days to which they are entitled. The rate paid will be the then effective per diem rate in effect at the time of resignation.

Classified Employees

Any employee who has five (5) or more years of service with the Board of Education may elect at the time of retirement from active service to be paid for thirty percent (30%) of the value of the employee's accrued but unused sick leave credit to a maximum of ninety-six (96) days. Severance pay is a per diem based upon the employee's hourly rate at retirement, times the hours worked per day. The word retirement as used shall be limited exclusively to mean full permanent service retirement with regard to age and years of service under the School Employees Retirement System. Payment for sick leave on this basis shall be considered to eliminate all sick leave credit accrued by the employee.

Note 15 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2003 were as follows:

	<u>Balance at June 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2003</u>
Governmental Activities:				
Capital Leases	\$5,484	\$0	(\$5,484)	\$0
Compensated Absences	3,781,512	1,366,150	(342,122)	4,805,540
Total Governmental Activities				
Long Term Liabilities	<u>3,786,996</u>	<u>1,366,150</u>	<u>(347,606)</u>	<u>4,805,540</u>
Business Type Activities:				
Compensated Absences	<u>\$209,298</u>	<u>\$97,124</u>	<u>(\$21,068)</u>	<u>\$284,354</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 16 - Set-Asides

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	(\$699,606)	(\$449,556)	\$241,244
Current Year Set Aside Requirement	75,123	75,123	0
Qualifying Expenditures	(735,443)	(370,679)	0
Amount Carried Forward to Fiscal Year 2004	<u>\$(1,359,926)</u>	<u>\$(745,112)</u>	<u>\$241,244</u>

The District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 17 - Jointly Governed Organization

The Ohio Schools' Council Association (Council) is a jointly governed organization among ninety-one school districts. This jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Governing Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2003 the District paid \$800 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary/Treasurer at the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year end and necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from the Cleveland Electric Illuminating (CEI) Company for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining pre-payment related to that participant to Energy Acquisition Corp.

The District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school district will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 17 - Jointly Governed Organization (Continued)

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Note 18 - Insurance Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 19 - School Foundation Program

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding decision. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 20 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

There are currently no matters in litigation with the District as the defendant.

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Pass Through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$6,384	\$0	\$6,384
National School Lunch Program	050948 04-PU-00	10.555	17,119	0	17,119	0
Total U.S. Department of Agriculture - Nutrition Cluster			17,119	6,384	17,119	6,384
U.S. Department of Labor						
<i>Pass Through Cuyahoga County</i>						
Workforce Investment Act	050948-WFHS-03	17.258	31,696	0	38,948	0
Total U.S. Department of Labor			31,696	0	38,948	0
U.S. Department of Education						
<i>Direct Program</i>						
Pell Grant	09048 RH-00 00	84.063	67,566	0	67,566	0
Technology Innovation Challenge Grant - Aliance Grant		84.303A	2,158,872	0	2,156,206	0
Total Direct Payment Programs			2,226,438	0	2,223,772	0
<i>Pass Through the Ohio Department of Education</i>						
Inovative Education Program Strategy	050948-C2-S1 00	84.298	0	0	2,476	0
Basic Grants to States	050948-20-C1 02	84.048	177,094	0	533	0
	050948 20-C1 03		260,126	0	271,140	0
	050948 20- C2 02		118,572	0	14,907	0
	050948 20-C2 03		147,199	0	173,176	0
	050948 20AO 02		22,324	0	22,339	0
Total Basic Grants to States			725,315	0	482,095	0
Adult Basic Literacy Education	050948-AB-S2-03	84.002	32,989	0	24,235	0
	050948-AB-S1-02		49,008	0	23,478	0
	050948-AB-S1-03		22,687	0	47,145	0
Total Adult Basic Literacy Education			104,684	0	94,858	0
Eisenhower Math and Science	050948-MSS1-01	84.281	1,264	0	1,517	0
Total Passed Through Ohio Department of Education			831,263	0	580,946	0
Total Federal Financial Assistance			\$3,106,516	\$6,384	\$2,860,785	\$6,384

The notes to the federal awards expenditures are an integral part of this schedule

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

CFDA – Catalog of Federal Domestic Assistance

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Education
Polaris Joint Vocational School District
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements and have issued our report there on dated August 25, 2004, wherein we noted the District has restated its compensated absences and adopted Governmental Accounting Standards Board (GASB) Statement No. 34, 37, 38 and GASB Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated August 25, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated August 25, 2004.

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This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 25, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Polaris Joint Vocational School District
Cuyahoga County
7285 Old Oak Boulevard
Middleburg Heights, Ohio 44130

Compliance

We have audited the compliance of the Polaris Joint Vocational School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 25, 2004

**POLARIS JOINT VOCATIONAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Technology Innovation Challenge Grant 84.303A
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



**Auditor of State
Betty Montgomery**

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POLARIS JOINT VOCATIONAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2004**