

***SIX DISTRICT EDUCATIONAL COMPACT***

***SUMMIT COUNTY, OHIO***

**AUDIT REPORT**

**For the Fiscal Year Ended June 30, 2014**







# Dave Yost • Auditor of State

Executive Committee  
Six District Educational Compact  
2386 Hudson-Aurora Road  
Hudson, Ohio 44236

We have reviewed the *Independent Auditor's Report* of the Six District Educational Compact, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Six District Educational Compact is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 28, 2016

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SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY

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**INDEPENDENT AUDITOR'S REPORT**

Six District Educational Compact  
Summit County  
2386 Hudson-Aurora Road  
Hudson, Ohio 44236

To the Executive Committee:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Six District Educational Compact, Summit County, Ohio (the Compact), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Compact's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis described in Note 1. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Compact's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Compact's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Six District Educational Compact, Summit County, Ohio, as of June 30, 2014, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 1.

**Accounting Basis**

We draw attention to Note 1 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to the Management's Discussion & Analysis presented on pages of the report, and accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of the Compact's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Compact's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**  
October 20, 2015

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

The management's discussion and analysis of the Six District Educational Compact (the "Compact") financial performance provides an overall review of the Compact's financial activities for the fiscal year ended June 30, 2014, within the limitations of the Compact's cash basis of accounting. The intent of this discussion and analysis is to look at the Compact's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the Compact's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- The total net cash position of the governmental activities increased \$2,476 during fiscal year 2014, which represents a 1.48% increase from fiscal year 2013.
- For fiscal year 2014, the Compact had \$1,405,033 in cash disbursements related to governmental activities; these cash disbursements were offset by program specific charges for services, grants or contributions of \$1,407,509.
- The Compact's major funds are the general fund, other local grants fund and the vocational education grants fund. The general fund had cash receipts of \$1,108,927 and cash disbursements of \$1,104,016 in 2014. The general fund cash balance increased \$4,911 from 2013 to 2014 and the ending fund cash balance was \$132,831.
- The other local grants fund, a Compact major fund, had cash receipts of \$3,000 and cash disbursements of \$515 resulting in an increase in fund cash balance from \$27,833 to \$30,318.
- Cash receipts for the vocational education grants fund, a Compact major fund, totaled \$295,582 and cash disbursements were \$300,502. Fund cash balance decreased \$4,920 to \$6,680 at June 30, 2014.

**Using These Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Compact's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provides information about the activities of the whole Compact, presenting an aggregate view of the Compact's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Compact's most significant funds and in the case of the Compact, all three governmental funds - the general fund, other local grants fund, and the vocational education grants fund - are reported as major funds.

**Reporting the Compact as a Whole**

*Statement of Net Position and the Statement of Activities*

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2014?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

These two statements report the Compact's net position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the Compact as a whole, the cash basis financial position of the Compact 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 Compact's facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and the statement of activities - cash basis, the governmental activities includes the Compact's programs and services including instruction, and support services.

The statement of net position - cash basis and the statement of activities - cash basis can be found on pages 11-12 of this report.

**Reporting the Compact's Most Significant Funds**

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Compact, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Compact can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Compact has no proprietary or fiduciary funds.

Fund financial reports provide detailed information about the Compact's major funds. The Compact uses three funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Compact's most significant funds. The Compact's major governmental funds are the general fund, other local grants fund and the vocational education grants fund. The analysis of the Compact's major governmental funds begins on page 7.

***Governmental Funds***

All of the Compact'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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Compact's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Compact programs. Since the Compact is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 13-14 of this report.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15-23 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the Compact as a whole.

The table below provides a summary of the Compact's net cash position for 2014 and 2013, respectively.

	<b>Net Cash Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 169,829	\$ 167,353
Total assets	<u>169,829</u>	<u>167,353</u>
<u>Net cash position</u>		
Restricted	36,998	39,433
Unrestricted	<u>132,831</u>	<u>127,920</u>
Total net cash position	<u>\$ 169,829</u>	<u>\$ 167,353</u>

At June 30, 2014, the Compact's net cash position was \$169,829. Of this total, \$36,998 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$132,831 may be used to meet the Compact's ongoing obligations.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

The table below shows the changes in net cash position for fiscal years 2014 and 2013.

	<b>Change in Net Cash Position</b>	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<b>Cash receipts:</b>		
Program cash receipts:		
Charges for services	\$ 1,104,967	\$ 1,032,854
Operating grants and contributions	<u>302,542</u>	<u>315,981</u>
Total program cash receipts	<u>1,407,509</u>	<u>1,348,835</u>
<b>Cash disbursements:</b>		
Current:		
Instruction:		
Regular	1,452	4,478
Vocational	826,578	756,005
Other	1,424	1,812
Support services:		
Pupil	130,876	131,873
Instructional staff	259,688	242,486
Central	515	5,075
Pass-through	<u>184,500</u>	<u>174,377</u>
Total cash disbursements	<u>1,405,033</u>	<u>1,316,106</u>
Change in net cash position	2,476	32,729
Net cash position at beginning of year	<u>167,353</u>	<u>134,624</u>
Net cash position at end of year	<u>\$ 169,829</u>	<u>\$ 167,353</u>

**Governmental Activities**

Governmental net cash position increased \$2,476 in 2014 from 2013. For 2014, total governmental cash disbursements of \$1,405,033 were offset by program cash receipts of \$1,407,509.

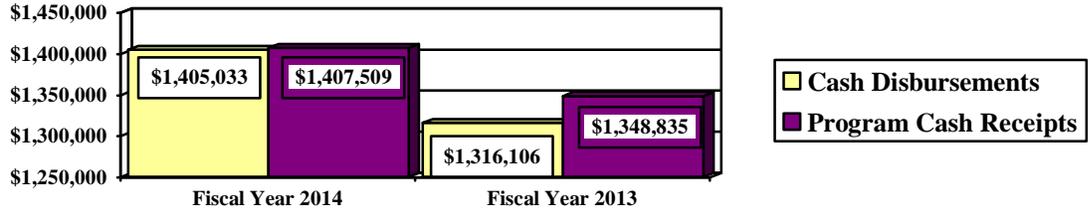
The primary sources of cash receipts for governmental activities are derived from charges for services. These sources represent 78.51% of total governmental program cash receipts for 2014. Operating grants and contributions mostly represent federal grants.

The largest cash disbursement of the Compact is for instructional activities. These cash disbursements totaled \$829,454 or 59.03% of total governmental cash disbursements for fiscal year 2014.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

**Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013.

**Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Cash disbursements:				
Current:				
Instruction:				
Regular	\$ 1,452	\$ (5,901)	\$ 4,478	\$ 1,068
Vocational	826,578	-	756,005	-
Other	1,424	(1,931)	1,812	552
Support services:				
Pupil	130,876	6,695	131,873	(24,514)
Instructional staff	259,688	(326)	242,486	(16,354)
Central	515	(2,485)	5,075	5,075
Pass-through	184,500	1,472	174,377	1,444
<b>Total</b>	<b>\$ 1,405,033</b>	<b>\$ (2,476)</b>	<b>\$ 1,316,106</b>	<b>\$ (32,729)</b>

The dependence upon program cash receipts for governmental activities is apparent; all cash disbursements were supported through program cash receipts from charges for services and operating grants and contributions during 2014.

**Financial Analysis of the Government's Funds**

As noted earlier, the Compact uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The Compact's governmental funds are accounted for using the cash basis of accounting.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)

The Compact's governmental funds reported a combined fund cash balance of \$169,829, which is \$2,476 higher than the 2013 fund cash balance of \$167,353. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and 2013, for all governmental funds.

	<b>Fund Cash Balance</b>		Increase
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 132,831	\$ 127,920	\$ 4,911
Other Local Grants	30,318	27,833	2,485
Vocational Education Grants	<u>6,680</u>	<u>11,600</u>	<u>(4,920)</u>
Total	<u>\$ 169,829</u>	<u>\$ 167,353</u>	<u>\$ 2,476</u>

***General Fund***

The general fund had cash receipts, primarily charges for services of \$1,108,927 in 2014. The cash disbursements of the general fund totaled \$1,104,016 in 2014. The general fund's cash disbursements in 2014 were primarily for vocational instruction costs and instructional staff support costs. The general fund's cash balance increased \$4,911 from 2013 to 2014.

***Other Local Grants Fund***

The other local grants fund, a Compact major fund, accounts for various local grants and contributions that are restricted in use. The other local grants fund had \$3,000 in cash receipts in 2014 and cash disbursements of \$515 resulting in an increase in fund cash balance from \$27,833 to \$30,318.

***Vocational Education Grants Fund***

The vocational education grants fund, a Compact major fund, had cash receipts consisting of federal grants in the amount of \$295,582. Cash disbursements totaled \$300,502 in 2014 and the change in fund cash balance was a decrease of \$4,920.

**Capital Assets and Debt Administration**

***Capital Assets***

The Compact does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The Compact had no capital outlay disbursements during fiscal year 2014.

***Debt Administration***

The Compact had no long-term debt obligations outstanding at June 30, 2014.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

**Current Financial Related Activities**

Since its inception, the Compact continues to provide Career/College tech prep programming to its six member districts in a manner that is more cost effective than the typical joint vocational school model. The six districts routinely come together to evaluate current programming and search for cost-effective solutions to additional educational demands and mandates. The ability to generate support from local agencies and higher education, including both the University of Akron and Kent State University, to explore and develop innovative programs continues to be a core strategy. The six member districts are committed to the continued effort to control expenses while providing exceptional programming.

**Contacting the Compact's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Compact's finances and to show the Compact's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative/Fiscal Agent for the Six District Educational Compact, 2386 Hudson-Aurora Road, Hudson, Ohio 44236.

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**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 169,829
Total assets . . . . .	169,829
<b>Net cash position:</b>	
Restricted for:	
Locally funded programs . . . . .	30,318
Federally funded programs . . . . .	6,680
Unrestricted . . . . .	132,831
Total net cash position. . . . .	\$ 169,829

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Program Cash Receipts</b>			<b>Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position</b>
	<b>Cash Disbursements</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Current:				
Instruction:				
Regular . . . . .	\$ 1,452	\$ 5,521	\$ 1,832	\$ 5,901
Vocational . . . . .	826,578	826,578	-	-
Other . . . . .	1,424	1,227	2,128	1,931
Support services:				
Pupil. . . . .	130,876	10,127	114,054	(6,695)
Instructional staff . . . . .	259,688	260,014	-	326
Central . . . . .	515	-	3,000	2,485
Pass-through. . . . .	184,500	1,500	181,528	(1,472)
Totals. . . . .	\$ 1,405,033	\$ 1,104,967	\$ 302,542	2,476
Change in net cash position . . . . .				2,476
<b>Net cash position at beginning of year. . . . .</b>				<b>167,353</b>
<b>Net cash position at end of year . . . . .</b>				<b>\$ 169,829</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<b>General</b>	<b>Other Local Grants</b>	<b>Vocational Education Grants</b>	<b>Total Governmental Funds</b>
<b>Cash assets:</b>				
Equity in pooled cash and cash equivalents . .	\$ 132,831	\$ 30,318	\$ 6,680	\$ 169,829
Total assets . . . . .	<u>\$ 132,831</u>	<u>\$ 30,318</u>	<u>\$ 6,680</u>	<u>\$ 169,829</u>
<b>Fund cash balances:</b>				
Restricted:				
Vocational instruction . . . . .	\$ -	\$ -	\$ 6,680	\$ 6,680
Other purposes . . . . .	-	30,318	-	30,318
Assigned:				
Student and staff support . . . . .	44,693	-	-	44,693
Unassigned . . . . .	88,138	-	-	88,138
Total fund cash balances . . . . .	<u>\$ 132,831</u>	<u>\$ 30,318</u>	<u>\$ 6,680</u>	<u>\$ 169,829</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Other Local Grants</u>	<u>Vocational Education Grants</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Classroom materials and fees . . . . .	\$ 6,310	\$ -	\$ -	\$ 6,310
Charges for services . . . . .	1,098,657	-	-	1,098,657
Contributions and donations. . . . .	3,960	3,000	-	6,960
Intergovernmental - federal . . . . .	-	-	295,582	295,582
Total cash receipts. . . . .	<u>1,108,927</u>	<u>3,000</u>	<u>295,582</u>	<u>1,407,509</u>
<b>Cash disbursements:</b>				
Current:				
Regular . . . . .	1,452	-	-	1,452
Vocational . . . . .	826,578	-	-	826,578
Other . . . . .	1,424	-	-	1,424
Support services:				
Pupil . . . . .	11,902	-	118,974	130,876
Instructional staff . . . . .	259,688	-	-	259,688
Central . . . . .	-	515	-	515
Pass-through. . . . .	<u>2,972</u>	<u>-</u>	<u>181,528</u>	<u>184,500</u>
Total cash disbursements . . . . .	<u>1,104,016</u>	<u>515</u>	<u>300,502</u>	<u>1,405,033</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	4,911	2,485	(4,920)	2,476
<b>Fund cash balances at beginning of year. . . . .</b>	<u>127,920</u>	<u>27,833</u>	<u>11,600</u>	<u>167,353</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 132,831</u>	<u>\$ 30,318</u>	<u>\$ 6,680</u>	<u>\$ 169,829</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Entity**

The Six District Educational Compact, Summit County, (the "Compact") is a body politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The Compact began operating as a Regional Council of Governments effective July 1, 1998, as defined by Chapter 167 of the Ohio Revised Code.

The Compact is a jointly governed organization consisting of six participating school districts: Cuyahoga Falls City School District, Hudson City School District, Kent City School District, Stow-Munroe Falls City School District, Tallmadge City School District and Woodridge Local School District, to provide for the vocational and special education needs of their students. Students residing in any of these districts may attend any vocational or special education class offered by any of the six individual school districts; the school district of residence pays an instructional fee to the school district that offers the class. All cash receipts are generated from charges for services and operating grants and contributions.

The Compact operates under the direction of a six member executive committee that is comprised of the superintendent from each of the participating school districts. The committee exercises total control over the operation of the Compact, including contracting and designating management. The Compact is not required to budget in accordance with the Ohio Revised Code, and its Board has also not adopted a budget. The Treasurer of Hudson City School District administers the grants, tuition reimbursement operations and the administrative operations of the Compact. The executive director of the Compact is an employee of Hudson City School District, but her salary is reimbursed to the Hudson City School District by the Compact.

The Compact provides a permanent forum for discussion and study of problems of mutual interest and concern to its member school districts, and develops policies and action recommendations for implementation either by the Compact itself, or by one or more of its member school districts.

**B. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Compact. For the Compact, this includes general operations and student instruction activities.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Component units are legally separate organizations for which the Compact is financially accountable. The Compact is financially accountable for an organization if the Compact appoints a voting majority of the organization's Governing Board and (1) the Compact is able to significantly influence the programs or services performed or provided by the organization; or (2) the Compact is legally entitled to or can otherwise access the organization's resources; or (3) the Compact is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Compact is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Compact in that the Compact approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Compact has no component units. The basic financial statements of the reporting entity include only those of the Compact (the primary government).

**C. Basis of Accounting**

The Compact chooses to prepare its financial statements and notes on the basis of cash receipts and disbursements (cash basis). The cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**D. Fund Accounting**

The Compact uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The Compact classifies each fund as governmental, proprietary or fiduciary. The Compact reports only governmental funds.

**Governmental Funds** - The Compact classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Compact's major governmental funds:

General fund - The general fund is the operating fund of the Compact and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the Compact for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other local grants fund - This fund is used to account for local grants that are legally restricted to expenditures for specific purposes.

Vocational education grants fund - This fund is used to account for federal money passed through the Ohio Department of Education for vocational educational classes.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Basis of Presentation and Measurement Focus**

Government-wide Statement of Activities - Cash Basis - This statement displays information about the Compact as a whole. The government-wide statement of activities - cash basis compares disbursements with program receipts for each function or program of the Compact's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Compact. The Compact has no general receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the general receipts of the Compact.

Fund Financial Statements - Fund financial statements report detailed information about the Compact. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**F. Administrative/Fiscal Agent**

The Compact designates an Administrative Agent for all funds received in the name of the Compact. The Hudson City School District acts as the Administrative and Fiscal Agent. The Compact's funds are maintained in separate funds with the fiscal agent.

**G. Cash and Investments**

The Compact's fiscal agent is the custodian for the Compact's cash and investments. The fiscal agent maintains a cash and investment pool used for all of the fiscal agent's funds, including those of the Compact. Deposits and investments are made in accordance with the Ohio Revised Code and are valued at the fiscal agent's carrying amount.

**H. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as leaving employment or retirement, employees are entitled to cash payouts for unused leave. The financial statements do not include a liability for unpaid leave.

**J. Fund Cash Balance**

Fund cash balance is divided into five classifications based primarily on the extent to which the Compact is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Compact’s executive committee (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the executive committee removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Compact for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Compact’s executive committee, which includes giving the Administrative/Fiscal Agent the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Compact applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**K. Net Cash Position**

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The Compact applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position are available.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - EQUITY IN POOLED CASH**

The Hudson City School District, as fiscal agent for the Compact, maintains a depository which includes the funds of the Compact. The Ohio Revised Code prescribes allowable deposits and investments. The Compact's carrying amount of cash on deposit with the fiscal agent at June 30, 2014 was \$169,829. The fiscal agent for the Compact is responsible for maintaining adequate depository collateral for all funds in the Hudson City School District's investment accounts.

**NOTE 3 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Compact contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Compact is required to contribute at an actuarially determined rate. The current Compact rate is 14 percent of annual covered payroll. A portion of the Compact's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Compact's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$5,305, \$5,258 and \$4,929, respectively.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Compact participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 3 - PENSION PLANS - (Continued)**

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Compact was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Compact's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$12,479, \$12,020 and \$12,020.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the executive committee have elected Social Security. The Compact's liability is 6.2 percent of wages paid.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Compact participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "*Employers/Audit Resources*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Compact's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$57, \$64 and \$213.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Compact's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$308, \$297 and \$291, respectively.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The Compact contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Compact's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$960, \$925 and \$925, respectively.

**NOTE 5 - CONTINGENCIES**

**A. Grants**

The Compact receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Compact. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Compact.

**B. Litigation**

The Compact is involved in no material litigation as either plaintiff or defendant.

**NOTE 6 - RISK MANAGEMENT**

The Compact maintains comprehensive commercial insurance coverage for risks related to property loss or damage and general liability, through Hudson City School District. Settled claims have not exceeded this commercial coverage in any of the last three fiscal years. There has not been a significant reduction in this coverage from the prior fiscal year.

**NOTE 7 - ACCOUNTABILITY AND COMPLIANCE**

For fiscal year 2014, the Compact has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the Compact.

**SIX DISTRICT EDUCATIONAL COMPACT  
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 7 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Compact.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Six District Educational Compact  
Summit County  
2386 Hudson-Aurora Road  
Hudson, Ohio 44236

To the Executive Committee:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of the Six District Educational Compact, Summit County, (the Compact) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Compact's basic financial statements and have issued our report thereon dated October 20, 2015, wherein we noted the Compact uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Compact's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Compact's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Compact's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Compact's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Compact's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Compact's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
October 20, 2015

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# Dave Yost • Auditor of State

## SIX DISTRICT EDUCATIONAL COMPACT

### SUMMIT 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  
FEBRUARY 9, 2016