

SIX DISTRICT EDUCATIONAL COMPACT

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Fiscal Year Ended June 30, 2015





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, 2014 through June 30, 2015. 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". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

January 28, 2016

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**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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 cash-basis 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, 2015, 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 Note 1 describes. 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, 2015, 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, during 2015, the Compact adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions". We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis or to the schedules of net pension liabilities and pension contributions as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, 2015, 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 2015 are as follows:

- The total net cash position of the governmental activities increased \$83,363 during fiscal year 2015, which represents a 49.09% increase from fiscal year 2014.
- For fiscal year 2015, the Compact had \$1,320,102 in cash disbursements related to governmental activities; these cash disbursements were offset by program specific charges for services, grants or contributions of \$1,403,465.
- 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 \$1,119,401 and cash disbursements of \$1,031,555 in 2015. The general fund cash balance increased \$87,846 from 2014 to 2015 and the ending fund cash balance was \$220,677.
- The other local grants fund, a Compact major fund, had cash disbursements of \$3,282 resulting in a decrease in fund cash balance from \$30,318 to \$27,036.
- Cash receipts for the vocational education grants fund, a Compact major fund, totaled \$284,064 and cash disbursements were \$285,265. Fund cash balance decreased \$1,201 to \$5,479 at June 30, 2015.

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 2015?" 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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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 15-28 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Compact's net pension liability. The required supplementary information can be found on pages 31-35 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 2015 and 2014, respectively.

	Net Cash Position	
	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 253,192	\$ 169,829
Total assets	<u>253,192</u>	<u>169,829</u>
<u>Net cash position</u>		
Restricted	32,515	36,998
Unrestricted	<u>220,677</u>	<u>132,831</u>
Total net cash position	<u>\$ 253,192</u>	<u>\$ 169,829</u>

At June 30, 2015, the Compact's net cash position was \$253,192. Of this total, \$32,515 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$220,677 may be used to meet the Compact's ongoing obligations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)

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

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2015</u>	<u>2014</u>
Cash receipts:		
Program cash receipts:		
Charges for services	\$ 1,115,221	\$ 1,104,967
Operating grants and contributions	<u>288,244</u>	<u>302,542</u>
Total program cash receipts	<u>1,403,465</u>	<u>1,407,509</u>
Cash disbursements:		
Current:		
Instruction:		
Regular	6,759	1,452
Vocational	766,265	826,578
Other	1,873	1,424
Support services:		
Pupil	147,448	130,876
Instructional staff	243,131	259,688
Central	3,282	515
Pass-through	<u>151,344</u>	<u>184,500</u>
Total cash disbursements	<u>1,320,102</u>	<u>1,405,033</u>
Change in net cash position	83,363	2,476
Net cash position at beginning of year	<u>169,829</u>	<u>167,353</u>
Net cash position at end of year	<u>\$ 253,192</u>	<u>\$ 169,829</u>

Governmental Activities

Governmental net cash position increased \$83,363 in 2015 from 2014. For 2015, total governmental cash disbursements of \$1,320,102 were offset by program cash receipts of \$1,403,465.

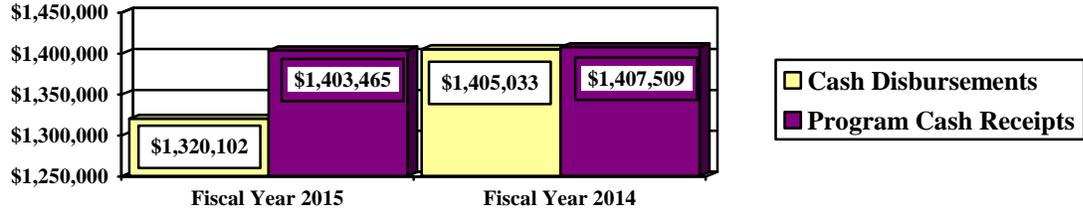
The primary sources of cash receipts for governmental activities are derived from charges for services. These sources represent 79.46% of total governmental program cash receipts for 2015. Operating grants and contributions mostly represent federal grants.

The largest cash disbursement of the Compact is for instructional activities. These cash disbursements totaled \$774,897 or 58.70% of total governmental cash disbursements for fiscal year 2015.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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 2015 and 2014.

Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Cash disbursements:				
Current:				
Instruction:				
Regular	\$ 6,759	\$ (2,503)	\$ 1,452	\$ (5,901)
Vocational	766,265	-	826,578	-
Other	1,873	(152)	1,424	(1,931)
Support services:				
Pupil	147,448	(1,945)	130,876	6,695
Instructional staff	243,131	(82,060)	259,688	(326)
Central	3,282	3,282	515	(2,485)
Pass-through	151,344	15	184,500	1,472
Total	<u>\$ 1,320,102</u>	<u>\$ (83,363)</u>	<u>\$ 1,405,033</u>	<u>\$ (2,476)</u>

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 2015.

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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Unaudited)

The Compact's governmental funds reported a combined fund cash balance of \$253,192, which is \$83,363 higher than the 2014 fund cash balance of \$169,829. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and 2014, for all governmental funds.

	Fund Cash Balance		Increase
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 220,677	\$ 132,831	\$ 87,846
Other Local Grants	27,036	30,318	(3,282)
Vocational Education Grants	<u>5,479</u>	<u>6,680</u>	<u>(1,201)</u>
 Total	 <u>\$ 253,192</u>	 <u>\$ 169,829</u>	 <u>\$ 83,363</u>

General Fund

The general fund had cash receipts, primarily charges for services of \$1,119,401 in 2015. The cash disbursements of the general fund totaled \$1,031,555 in 2015. The general fund's cash disbursements in 2015 were primarily for vocational instruction costs and instructional staff support costs. The general fund's cash balance increased \$87,846 from 2014 to 2015.

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 no cash receipts in 2015 and cash disbursements of \$3,282 resulting in a decrease in fund cash balance from \$30,318 to \$27,036.

Vocational Education Grants Fund

The vocational education grants fund, a Compact major fund, had cash receipts consisting of federal grants in the amount of \$284,064. Cash disbursements totaled \$285,265 in 2015 and the change in fund cash balance was a decrease of \$1,201.

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 2015.

Debt Administration

The Compact had no long-term debt obligations outstanding at June 30, 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 253,192
Total assets	253,192
Net cash position:	
Restricted for:	
Locally funded programs	27,036
Federally funded programs	5,479
Unrestricted	220,677
Total net cash position.	\$ 253,192

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Current:				
Instruction:				
Regular	\$ 6,759	\$ 6,364	\$ 2,898	\$ 2,503
Vocational	766,265	766,265	-	-
Other	1,873	743	1,282	152
Support services:				
Pupil	147,448	14,703	134,690	1,945
Instructional staff	243,131	325,191	-	82,060
Central	3,282	-	-	(3,282)
Pass-through	151,344	1,955	149,374	(15)
Totals	\$ 1,320,102	\$ 1,115,221	\$ 288,244	83,363
Change in net cash position				83,363
Net cash position at beginning of year				169,829
Net cash position at end of year				\$ 253,192

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Other Local Grants	Vocational Education Grants	Total Governmental Funds
Cash assets:				
Equity in pooled cash and cash equivalents . .	\$ 220,677	\$ 27,036	\$ 5,479	\$ 253,192
Total assets	<u>\$ 220,677</u>	<u>\$ 27,036</u>	<u>\$ 5,479</u>	<u>\$ 253,192</u>
Fund cash balances:				
Restricted:				
Vocational instruction	\$ -	\$ -	\$ 5,479	\$ 5,479
Other purposes	-	27,036	-	27,036
Assigned:				
Student and staff support	46,894	-	-	46,894
Unassigned	<u>173,783</u>	<u>-</u>	<u>-</u>	<u>173,783</u>
Total fund cash balances	<u>\$ 220,677</u>	<u>\$ 27,036</u>	<u>\$ 5,479</u>	<u>\$ 253,192</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Other Local Grants	Vocational Education Grants	Total Governmental Funds
Cash receipts:				
From local sources:				
Tuition	\$ 63,230	\$ -	\$ -	\$ 63,230
Classroom materials and fees	6,930	-	-	6,930
Charges for services	1,045,061	-	-	1,045,061
Contributions and donations.	4,180	-	-	4,180
Intergovernmental - federal	-	-	284,064	284,064
Total cash receipts.	1,119,401	-	284,064	1,403,465
Cash disbursements:				
Current:				
Regular	6,759	-	-	6,759
Vocational	766,265	-	-	766,265
Other	1,873	-	-	1,873
Support services:				
Pupil	11,557	-	135,891	147,448
Instructional staff	243,131	-	-	243,131
Central	-	3,282	-	3,282
Pass-through.	1,970	-	149,374	151,344
Total cash disbursements	1,031,555	3,282	285,265	1,320,102
Excess (deficiency) of cash receipts over (under) cash disbursements	87,846	(3,282)	(1,201)	83,363
Fund cash balances at beginning of year.	132,831	30,318	6,680	169,829
Fund cash balances at end of year	\$ 220,677	\$ 27,036	\$ 5,479	\$ 253,192

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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

L. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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, 2015 was \$253,192. 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 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System (SERS)

Plan Description - The Compact's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Compact is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Compact's contractually required contribution to SERS was \$5,702 for fiscal year 2015.

State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - Compact's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Compact was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Compact's contractually required contribution to STRS Ohio was \$13,202 for fiscal year 2015.

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 (the latest information available) 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, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2015, 0.82 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 2015, the actuarially determined amount was \$20,450.

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 for the fiscal years ended June 30, 2015, 2014 and 2013 were \$334, \$57 and \$64, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The Compact's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$301, \$308 and \$297, respectively; 100 percent has been contributed for all three fiscal years.

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, 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 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The Compact's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$960 and \$925, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 3 to the financial statements, and added required supplementary information which is presented on pages 26-30.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

SUPPLEMENTARY INFORMATION

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

SCHEDULES OF SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS*

	2014	2013
District's proportion of the net pension liability	0.00135360%	0.00135360%
District's proportionate share of the net pension liability	\$ 68,505	\$ 80,494
District's covered-employee payroll	\$ 40,729	\$ 39,336
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.20%	204.63%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS*

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.00091079%	0.00091079%
District's proportionate share of the net pension liability	\$ 221,536	\$ 263,892
District's covered-employee payroll	\$ 94,300	\$ 93,057
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	234.93%	283.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,702	\$ 5,507
Contributions in relation to the contractually required contribution	<u>(5,702)</u>	<u>(5,507)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 40,729	\$ 39,336
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 13,202	\$ 13,028
Contributions in relation to the contractually required contribution	<u>(13,202)</u>	<u>(13,028)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 94,300	\$ 93,057
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**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, 2015, 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. We also noted the Compact implemented Governmental Accounting Standards Board Statement No. 68, "*Accounting and Financial Reporting for Pensions*".

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 opinion 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.

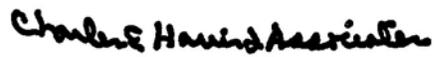
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies 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 25, 2015



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