

SIX DISTRICT EDUCATIONAL COMPACT

SUMMIT COUNTY

Audit Report

For the Year Ended June 30, 2016





Dave Yost • Auditor of State

Executive Committee
Six District Educational Compact
2386 Hudson-Aurora Road
Hudson, OH 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, 2015 through June 30, 2016. 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

December 20, 2017

This page intentionally left blank.

*Six District Educational Compact
Summit County
For the Year Ended June 30, 2016*

Table of Contents

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2016	11
Statement of Activities – Cash Basis – For the Year Ended June 30, 2016	12
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2016	13
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Governmental Funds – For the Year Ended June 30, 2016	14
Notes to the Basic Financial Statements	15
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S REPORT

Six District Educational Compact
Summit County
2386 Hudson-Aurora Road
Hudson, OH 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, 2016, 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 the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Compact's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of the Six District Educational Compact, Summit County, Ohio, as of June 30, 2016, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

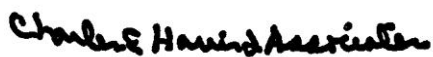
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Compact's basic financial statements. The management's discussion and analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the Compact's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 30, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016, 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 2016 are as follows:

- The total net cash position of the governmental activities decreased \$54,625 during fiscal year 2016, which represents a 21.57% decrease from fiscal year 2015.
- For fiscal year 2016, the Compact had \$1,646,806 in cash disbursements related to governmental activities; these cash disbursements were offset by program specific charges for services, grants or contributions of \$1,592,181.
- The Compact's major funds are the general fund, other local grants fund, vocational education grants fund and miscellaneous state grants fund. The general fund had cash receipts of \$1,305,362 and cash disbursements of \$1,349,534 in 2016. The general fund cash balance decreased \$44,172 during the year and the ending fund cash balance was \$176,505.
- The other local grants fund had cash disbursements of \$1,302 resulting in a decrease in fund cash balance from \$27,036 to \$25,734.
- Cash receipts for the vocational education grants fund totaled \$250,163 and cash disbursements were \$259,314. Fund cash balance decreased \$9,151 to \$(3,672) at June 30, 2016.
- Cash receipts and cash disbursements for the miscellaneous state grants fund were \$36,656, resulting in no fund balance at June 30, 2016.

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 four governmental funds - the general fund, other local grants fund, vocational education grants fund and miscellaneous state grants fund - are reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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 2016?" 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.

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 many 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, vocational education grants fund and miscellaneous state grants fund. The analysis of the Compact's major governmental funds begins on page 8.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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.

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 2016 and 2015, respectively.

	Net Cash Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 198,567	\$ 253,192
Total assets	<u>198,567</u>	<u>253,192</u>
<u>Net cash position</u>		
Restricted	25,734	32,515
Unrestricted	<u>172,833</u>	<u>220,677</u>
Total net cash position	<u>\$ 198,567</u>	<u>\$ 253,192</u>

At June 30, 2016, the Compact's net cash position was \$198,567. Of this total, \$25,734 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$172,833 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, 2016
(UNAUDITED)

The table below shows the changes in net cash position for fiscal years 2016 and 2015.

	Change in Net Cash Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Cash receipts:		
Program cash receipts:		
Charges for services	\$ 1,301,572	\$ 1,115,221
Operating grants and contributions	<u>290,609</u>	<u>288,244</u>
Total program cash receipts	<u>1,592,181</u>	<u>1,403,465</u>
Cash disbursements:		
Current:		
Instruction:		
Regular	9,415	6,759
Vocational	1,073,103	766,265
Other	894	1,873
Support services:		
Pupil	120,192	147,448
Instructional staff	288,709	243,131
Central	1,302	3,282
Pass-through	<u>153,191</u>	<u>151,344</u>
Total cash disbursements	<u>1,646,806</u>	<u>1,320,102</u>
Change in net cash position	(54,625)	83,363
Net cash position at beginning of year	<u>253,192</u>	<u>169,829</u>
Net cash position at end of year	<u>\$ 198,567</u>	<u>\$ 253,192</u>

Governmental Activities

Governmental net cash position decreased \$54,625 in 2016 from 2015. For 2016, total governmental cash disbursements of \$1,646,806 were offset by program cash receipts of \$1,592,181.

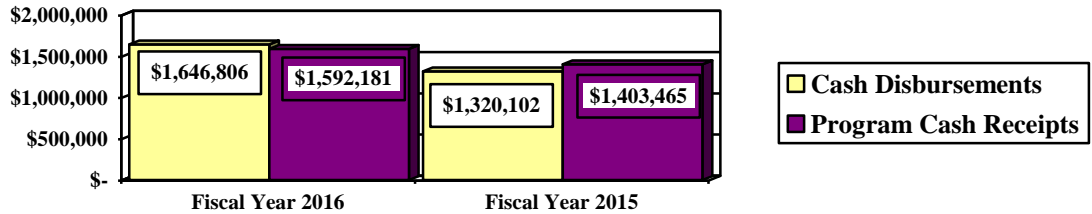
The primary sources of cash receipts for governmental activities are derived from charges for services. These sources represent 81.75% of total governmental program cash receipts for 2016. Operating grants and contributions mostly represent state and federal grants.

The largest cash disbursement of the Compact is for instructional activities. These cash disbursements totaled \$1,083,412 or 65.79% of total governmental cash disbursements for fiscal year 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 2016 and 2015.

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Cash disbursements:				
Current:				
Instruction:				
Regular	\$ 9,415	\$ 199	\$ 6,759	\$ (2,503)
Vocational	1,073,103	63,230	766,265	-
Other	894	894	1,873	(152)
Support services:				
Pupil	120,192	(2,302)	147,448	(1,945)
Instructional staff	288,709	(15,243)	243,131	(82,060)
Central	1,302	1,302	3,282	3,282
Pass-through	153,191	6,545	151,344	15
Total	\$ 1,646,806	\$ 54,625	\$ 1,320,102	\$ (83,363)

The dependence upon program cash receipts for governmental activities is apparent; 96.68% of cash disbursements were supported through program cash receipts from charges for services and operating grants and contributions during 2016.

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, 2016
(UNAUDITED)

The Compact's governmental funds reported a combined fund cash balance of \$198,567, which is \$54,625 lower than the 2015 fund cash balance of \$253,192. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and 2015, for all governmental funds.

	Fund Cash Balance (Deficit)		Increase
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>(Decrease)</u>
Major Funds:			
General	\$ 176,505	\$ 220,677	\$ (44,172)
Other Local Grants	25,734	27,036	(1,302)
Vocational Education Grants	<u>(3,672)</u>	<u>5,479</u>	<u>(9,151)</u>
Total	<u>\$ 198,567</u>	<u>\$ 253,192</u>	<u>\$ (54,625)</u>

General Fund

The general fund had cash receipts, primarily charges for services of \$1,305,362 in 2016. The cash disbursements of the general fund totaled \$1,349,534 in 2016. The general fund's cash disbursements in 2016 were primarily for vocational instruction costs and instructional staff support costs. The general fund's cash balance decreased \$44,172 from 2015 to 2016.

Other Local Grants Fund

The other local grants fund accounts for various local grants and contributions that are restricted in use. The other local grants fund had no cash receipts in 2016 and cash disbursements of \$1,302 resulting in a decrease in fund cash balance from \$27,036 to \$25,734.

Vocational Education Grants Fund

The vocational education grants fund had cash receipts consisting of federal grants in the amount of \$250,163. Cash disbursements totaled \$259,314 in 2016 and the change in fund cash balance was a decrease of \$9,151.

Miscellaneous State Grants Fund

The miscellaneous state grants fund had cash receipts consisting of state grants in the amount of \$36,656 and cash disbursements of \$36,656, resulting in zero fund balance at June 30, 2016.

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 2016.

Debt Administration

The Compact had no long-term debt obligations outstanding at June 30, 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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.

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 198,567
Total assets	198,567
Net cash position:	
Restricted for:	
Locally funded programs	25,734
Unrestricted	172,833
Total net cash position.	\$ 198,567

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, 2016

	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	\$ 9,415	\$ 5,426	\$ 3,790	\$ (199)
Vocational	1,073,103	1,009,873	-	(63,230)
Other	894	-	-	(894)
Support services:				
Pupil	120,192	17,957	104,537	2,302
Instructional staff	288,709	267,296	36,656	15,243
Central	1,302	-	-	(1,302)
Pass-through	153,191	1,020	145,626	(6,545)
Totals	\$ 1,646,806	\$ 1,301,572	\$ 290,609	(54,625)
Change in net cash position				(54,625)
Net cash position at beginning of year				253,192
Net cash position at end of year				\$ 198,567

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, 2016

	General	Other Local Grants	Vocational Education Grants	Total Governmental Funds
Cash assets:				
Equity in pooled cash and cash equivalents . .	\$ 176,505	\$ 25,734	\$ (3,672)	\$ 198,567
Total assets	<u>\$ 176,505</u>	<u>\$ 25,734</u>	<u>\$ (3,672)</u>	<u>\$ 198,567</u>
Fund cash balances:				
Restricted:				
Other purposes	\$ -	\$ 25,734	\$ -	\$ 25,734
Assigned:				
Student and staff support	49,334	-	-	49,334
Unassigned (deficit)	<u>127,171</u>	<u>-</u>	<u>(3,672)</u>	<u>123,499</u>
Total fund cash balances	<u>\$ 176,505</u>	<u>\$ 25,734</u>	<u>\$ (3,672)</u>	<u>\$ 198,567</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, 2016

	<u>General</u>	<u>Other Local Grants</u>	<u>Vocational Education Grants</u>	<u>Miscellaneous State Grants</u>	<u>Total Governmental Funds</u>
Cash receipts:					
From local sources:					
Classroom materials and fees	\$ 2,970	\$ -	\$ -	\$ -	\$ 2,970
Charges for services	1,298,602	-	-	-	1,298,602
Contributions and donations.	3,790	-	-	-	3,790
Intergovernmental - state.	-	-	-	36,656	36,656
Intergovernmental - federal	-	-	250,163	-	250,163
Total cash receipts.	<u>1,305,362</u>	<u>-</u>	<u>250,163</u>	<u>36,656</u>	<u>1,592,181</u>
Cash disbursements:					
Current:					
Regular	9,415	-	-	-	9,415
Vocational	1,073,103	-	-	-	1,073,103
Other	894	-	-	-	894
Support services:					
Pupil	11,831	-	108,361	-	120,192
Instructional staff	252,053	-	-	36,656	288,709
Central	-	1,302	-	-	1,302
Pass-through.	2,238	-	150,953	-	153,191
Total cash disbursements	<u>1,349,534</u>	<u>1,302</u>	<u>259,314</u>	<u>36,656</u>	<u>1,646,806</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	(44,172)	(1,302)	(9,151)	-	(54,625)
Fund cash balances at beginning of year.	<u>220,677</u>	<u>27,036</u>	<u>5,479</u>	<u>-</u>	<u>253,192</u>
Fund cash balances (deficit) at end of year.	<u>\$ 176,505</u>	<u>\$ 25,734</u>	<u>\$ (3,672)</u>	<u>\$ -</u>	<u>\$ 198,567</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, 2016

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, 2016

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, 2016

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

Miscellaneous state grants fund - This fund is used to account for various monies received from state agencies which are not classified elsewhere.

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, 2016

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. The executive committee may also assign fund balance as it does to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget in the general fund.

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, 2016

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, 2016 was \$198,567. 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

Plan Description - 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, 2016

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The Compact's contractually required contribution to SERS was \$5,830 for fiscal year 2016.

Plan Description - 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, 2016

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The Compact's contractually required contribution to STRS Ohio was \$13,525 for fiscal year 2016.

NOTE 4 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Compact contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [at www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Compact's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$334 and \$57, respectively; 100 percent has been contributed for fiscal years 2015 and 2014.

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 2016, 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, 2016, 2015 and 2014 were \$0, \$0 and \$960, respectively; 100 percent has been contributed for fiscal year 2014.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

A. Change in Accounting Principles

For fiscal year 2016, the Compact has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Compact.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Compact.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Compact.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Compact.

B. Deficit Fund Cash Balance

The vocational education grants fund had a deficit fund cash balance of \$3,672 at June 30, 2016. The deficit resulted from spending approved grant monies in advance of receiving the full amount of the grant.

This page intentionally left blank.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

To the Executive Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2016, 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 30, 2017, wherein we noted the Compact uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Compact's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Compact's internal control. Accordingly, we do not express an opinion on the effectiveness of the Compact's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatements of the Compact's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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 30, 2017



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
JANUARY 16, 2018