

***SIX DISTRICT EDUCATIONAL COMPACT***

***SUMMIT COUNTY***

Audit Report

For the Years Ended June 30, 2019 and 2018





OHIO AUDITOR OF STATE  
KEITH FABER



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Executive Committee  
Six District Educational Compact  
2386 Hudson-Aurora Road  
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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, 2017 through June 30, 2019. 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 "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

December 23, 2019

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**Six District Educational Compact**  
**Summit County**  
*For the Years Ended June 30, 2019 and 2018*

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**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 years ended June 30, 2019 and 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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 opinions.

***Opinions***

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, 2019 and 2018, and the respective changes in cash basis financial position thereof for the years 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 opinions 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 November 1, 2019, 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.***  
November 1, 2019



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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, 2019, 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 2019 are as follows:

- Net cash position increased \$59,098 during fiscal year 2019, which represents a 28.59% increase from fiscal year 2018.
- For fiscal year 2019, the Compact had \$1,753,838 in cash disbursements; these cash disbursements were offset by program specific charges for services, grants or contributions of \$1,812,936.
- The Compact's general fund had cash receipts of \$1,477,482 and cash disbursements of \$1,459,396 in 2019. The general fund cash balance increased \$18,086 during the year and the ending fund cash balance was \$231,501.

**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.

**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 2019?" 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

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 9-10 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 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 11-12 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 13-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**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 fiscal years 2019 and 2018.

	<b>Net Cash Position</b>	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 265,807	\$ 206,709
Total assets	<u>265,807</u>	<u>206,709</u>
<u>Net cash position</u>		
Restricted	34,406	22,775
Unrestricted	<u>231,401</u>	<u>183,934</u>
Total net cash position	<u>\$ 265,807</u>	<u>\$ 206,709</u>

At June 30, 2019, the Compact's net cash position was \$265,807. Of this total, \$34,406 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$231,401 may be used without restriction to meet the Compact's ongoing obligations.

The following table shows the changes in net cash position for fiscal years 2019 and 2018.

	<b>Change in Net Cash Position</b>	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<b>Cash receipts:</b>		
Program cash receipts:		
Charges for services	\$ 1,473,872	\$ 1,480,461
Operating grants and contributions	<u>339,064</u>	<u>357,845</u>
Total program cash receipts	<u>1,812,936</u>	<u>1,838,306</u>

-Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**Change in Net Cash Position (Continued)**

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<b>Cash disbursements:</b>		
Current:		
Instruction:		
Regular	5,267	13,777
Vocational	1,170,637	1,171,990
Other	2,177	5,745
Support services:		
Pupil	127,184	177,250
Instructional staff	273,072	301,720
Pupil transportation	-	5,000
Central	1,744	3,681
Pass-through	<u>173,757</u>	<u>169,698</u>
Total cash disbursements	<u>1,753,838</u>	<u>1,848,861</u>
Change in net cash position	59,098	(10,555)
Net cash position at beginning of year	<u>206,709</u>	<u>217,264</u>
Net cash position at end of year	<u>\$ 265,807</u>	<u>\$ 206,709</u>

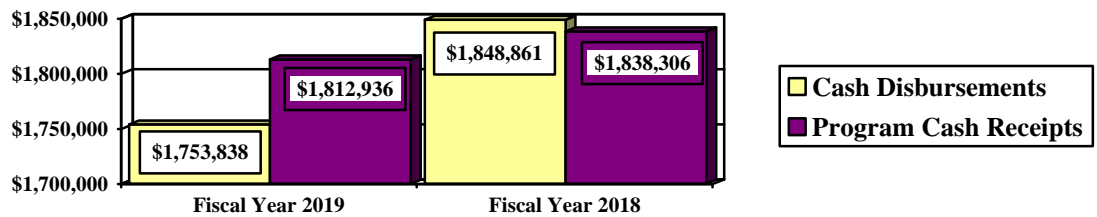
**Governmental Activities**

Net cash position increased \$59,098 in 2019. For 2019, total cash disbursements of \$1,753,838 were offset by program cash receipts of \$1,812,936.

The primary sources of cash receipts are derived from charges for services. These sources represent 81.30% of total cash receipts for 2019. Operating grants and contributions mostly consist of State and Federal grants.

The largest cash disbursement of the Compact is for instructional activities. These cash disbursements totaled \$1,178,081 or 67.17% of total cash disbursements for fiscal year 2019.

**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 2019 and 2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**Governmental Activities**

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	\$ 5,267	\$ (3,359)	\$ 13,777	\$ 2,940
Vocational	1,170,637	-	1,171,990	-
Other	2,177	(2,215)	5,745	2,603
Support services:				
Pupil	127,184	(27,844)	177,250	6,123
Instructional staff	273,072	(19,287)	301,720	(3,837)
Pupil transportation	-	-	5,000	817
Central	1,744	1,744	3,681	(2,759)
Pass-through	<u>173,757</u>	<u>(8,137)</u>	<u>169,698</u>	<u>4,668</u>
Total	<u>\$ 1,753,838</u>	<u>\$ (59,098)</u>	<u>\$ 1,848,861</u>	<u>\$ 10,555</u>

**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. At June 30, 2019, the Compact's governmental funds reported a combined fund cash balance of \$265,807, which represents an increase of \$59,098 compared to the June 30, 2018 combined fund cash balance. The schedule below indicates the fund cash balances and the total change in fund cash balances as of June 30, 2019 and 2018, for all governmental funds.

**Fund Cash Balance (Deficit)**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Major Funds:			
General	\$ 231,501	\$ 213,415	\$ 18,086
Other Local Grants	34,406	22,775	11,631
Vocational Education Grants	(100)	(13,807)	13,707
Miscellaneous State Grants	<u>-</u>	<u>(15,674)</u>	<u>15,674</u>
Total	<u>\$ 265,807</u>	<u>\$ 206,709</u>	<u>\$ 59,098</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

***General Fund***

The general fund had cash receipts, primarily charges for services, of \$1,477,482 in 2019. The cash disbursements of the general fund totaled \$1,459,396 in 2019. The general fund's cash disbursements are primarily for vocational instruction costs and instructional staff support costs. The general fund's cash balance increased \$18,086 from 2018 to 2019.

***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 cash receipts of \$13,375 and cash disbursements of \$1,744 in 2019.

***Vocational Education Grants Fund***

The vocational education grants fund had cash receipts consisting of Federal grants in the amount of \$306,405. Cash disbursements totaled \$292,698 in 2019 and the change in fund cash balance was an increase of \$13,707.

***Miscellaneous State Grants Fund***

The miscellaneous state grants fund is used to account for the Compact's Secondary Transitions Grant program. This fund had cash receipts consisting of State grants in the amount of \$15,674 and no cash disbursements in 2019.

**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 2019.

***Debt Administration***

The Compact had no long-term debt obligations outstanding at June 30, 2019.

**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.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 265,807
Total assets . . . . .	265,807
<b>Net cash position:</b>	
Restricted for:	
Locally funded programs . . . . .	34,406
Unrestricted . . . . .	231,401
Total net cash position. . . . .	\$ 265,807

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, 2019

	<b>Program Cash Receipts</b>			<b>Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position</b>
	<b>Cash Disbursements</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Current:				
Instruction:				
Regular . . . . .	\$ 5,267	\$ 7,006	\$ 1,620	\$ 3,359
Vocational . . . . .	1,170,637	1,170,637	-	-
Other. . . . .	2,177	2,402	1,990	2,215
Support services:				
Pupil. . . . .	127,184	14,843	140,185	27,844
Instructional staff . . . . .	273,072	278,984	13,375	19,287
Central . . . . .	1,744	-	-	(1,744)
Pass-through. . . . .	173,757	-	181,894	8,137
Totals. . . . .	\$ 1,753,838	\$ 1,473,872	\$ 339,064	59,098
				Change in net cash position . . . . . 59,098
				<b>Net cash position at beginning of year. . . . .</b> 206,709
				<b>Net cash position at end of year . . . . .</b> <u>\$ 265,807</u>

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, 2019

	<b>General</b>	<b>Other Local Grants</b>	<b>Vocational Education Grants</b>	<b>Total Governmental Funds</b>
<b>Cash assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 231,501	\$ 34,406	\$ (100)	\$ 265,807
Total assets . . . . .	<u>\$ 231,501</u>	<u>\$ 34,406</u>	<u>\$ (100)</u>	<u>\$ 265,807</u>
<b>Fund cash balances:</b>				
Restricted:				
Locally funded programs . . . . .	\$ -	\$ 34,406	\$ -	\$ 34,406
Assigned:				
Student and staff support . . . . .	81,901	-	-	81,901
Unassigned (deficit) . . . . .	149,600	-	(100)	149,500
Total fund cash balances . . . . .	<u>\$ 231,501</u>	<u>\$ 34,406</u>	<u>\$ (100)</u>	<u>\$ 265,807</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, 2019

	<u>General</u>	<u>Other Local Grants</u>	<u>Vocational Education Grants</u>	<u>Miscellaneous State Grants</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>					
From local sources:					
Classroom materials and fees . . . . .	\$ 5,050	\$ -	\$ -	\$ -	\$ 5,050
Charges for services. . . . .	1,468,822	-	-	-	1,468,822
Contributions and donations . . . . .	3,610	13,375	-	-	16,985
Intergovernmental - state. . . . .	-	-	-	15,674	15,674
Intergovernmental - federal. . . . .	-	-	306,405	-	306,405
Total cash receipts . . . . .	<u>1,477,482</u>	<u>13,375</u>	<u>306,405</u>	<u>15,674</u>	<u>1,812,936</u>
<b>Cash disbursements:</b>					
Current:					
Regular . . . . .	5,267	-	-	-	5,267
Vocational . . . . .	1,170,637	-	-	-	1,170,637
Other . . . . .	2,177	-	-	-	2,177
Support services:					
Pupil . . . . .	8,243	-	118,941	-	127,184
Instructional staff . . . . .	273,072	-	-	-	273,072
Central . . . . .	-	1,744	-	-	1,744
Pass-through. . . . .	-	-	173,757	-	173,757
Total cash disbursements . . . . .	<u>1,459,396</u>	<u>1,744</u>	<u>292,698</u>	<u>-</u>	<u>1,753,838</u>
Excess of cash receipts over cash disbursements . . . . .	18,086	11,631	13,707	15,674	59,098
<b>Fund cash balances (deficit) at beginning of year . . . . .</b>	<u>213,415</u>	<u>22,775</u>	<u>(13,807)</u>	<u>(15,674)</u>	<u>206,709</u>
<b>Fund cash balances (deficit) at end of year. . . . .</b>	<u>\$ 231,501</u>	<u>\$ 34,406</u>	<u>\$ (100)</u>	<u>\$ -</u>	<u>\$ 265,807</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, 2019

**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, 2019

**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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*Miscellaneous state grants fund* - This fund is used to account for various grant 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, 2019

**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 when appropriating fund balances to cover a gap between estimated revenue 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**L. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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, 2019 was \$265,807. The fiscal agent for the Compact is responsible for maintaining adequate depository collateral for all funds in the Hudson City School District's investment accounts.

**NOTE 3 - PENSION PLANS**

***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](http://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 after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Compact is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The Compact's contractually required contribution to SERS was \$6,051 for fiscal year 2019.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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.



**SIX DISTRICT EDUCATIONAL COMPACT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 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 bearing the risk of investment gain or loss on the account. STRS 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 to 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. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The Compact was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Compact's contractually required contribution to STRS was \$14,104 for fiscal year 2019.

**NOTE 4 - DEFINED BENEFIT OPEB PLANS**

**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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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, 2019**

**NOTE 4 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Compact's contractually required contribution to SERS was \$224 for fiscal year 2019.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**SIX DISTRICT EDUCATIONAL COMPACT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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 Compact. 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 2019, the Compact has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Compact.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 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 \$100 at June 30, 2019. The deficit resulted from spending approved grant monies in advance of receiving the full amount of the grant.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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, 2018, 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 2018 are as follows:

- The total net cash position of the governmental activities decreased \$10,555 during fiscal year 2018, which represents a 4.86% decrease from fiscal year 2017.
- For fiscal year 2018, the Compact had \$1,848,861 in cash disbursements related to governmental activities; these cash disbursements were offset by program specific charges for services, grants or contributions of \$1,838,306.
- The Compact's general fund had cash receipts of \$1,481,031 and cash disbursements of \$1,466,705 in 2018. The general fund cash balance increased \$14,326 during the year and the ending fund cash balance was \$213,415.

**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.

**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 2018?" 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.

**SIX DISTRICT EDUCATIONAL COMPACT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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 28-29 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 26.

***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 30-31 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 32-41 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.

**SIX DISTRICT EDUCATIONAL COMPACT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The table below provides a summary of the Compact's net cash position for fiscal years 2018 and 2017.

	<b>Net Cash Position</b>	
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 206,709	\$ 217,264
Total assets	<u>206,709</u>	<u>217,264</u>
<u>Net cash position</u>		
Restricted	22,775	26,456
Unrestricted	<u>183,934</u>	<u>190,808</u>
Total net cash position	<u>\$ 206,709</u>	<u>\$ 217,264</u>

At June 30, 2018, the Compact's net cash position was \$206,709. Of this total, \$22,775 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$183,934 may be used to meet the Compact's ongoing obligations.

The following table shows the changes in net cash position for fiscal years 2018 and 2017.

	<b>Change in Net Cash Position</b>	
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<b>Cash receipts:</b>		
Program cash receipts:		
Charges for services	\$ 1,480,461	\$ 1,322,827
Operating grants and contributions	<u>357,845</u>	<u>439,651</u>
Total program cash receipts	<u>1,838,306</u>	<u>1,762,478</u>

-Continued

**SIX DISTRICT EDUCATIONAL COMPACT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**Change in Net Cash Position (Continued)**

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<b>Cash disbursements:</b>		
Current:		
Instruction:		
Regular	13,777	6,243
Vocational	1,171,990	1,033,983
Other	5,745	1,014
Support services:		
Pupil	177,250	156,001
Instructional staff	301,720	389,393
Pupil transportation	5,000	-
Central	3,681	278
Pass-through	<u>169,698</u>	<u>156,869</u>
Total cash disbursements	<u>1,848,861</u>	<u>1,743,781</u>
Change in net cash position	(10,555)	18,697
Net cash position at beginning of year	<u>217,264</u>	<u>198,567</u>
Net cash position at end of year	<u>\$ 206,709</u>	<u>\$ 217,264</u>

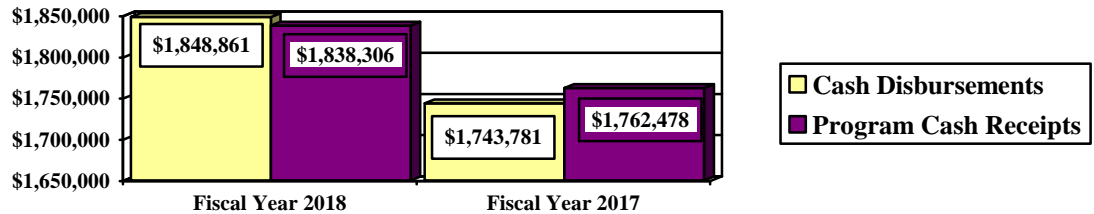
**Governmental Activities**

Net cash position decreased \$10,555 in 2018. For 2018, total cash disbursements of \$1,848,861 were offset by program cash receipts of \$1,838,306.

The primary sources of cash receipts are derived from charges for services. These sources represent 80.53% of total program cash receipts for 2018. Operating grants and contributions mostly consist of State and Federal grants.

The largest cash disbursement of the Compact is for instructional activities. These cash disbursements totaled \$1,191,512 or 64.45% of total cash disbursements for fiscal year 2018.

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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 2018 and 2017.

	<b>Governmental Activities</b>			
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Cash disbursements:				
Current:				
Instruction:				
Regular	\$ 13,777	\$ 2,940	\$ 6,243	\$ (1,018)
Vocational	1,171,990	-	1,033,983	-
Other	5,745	2,603	1,014	(532)
Support services:				
Pupil	177,250	6,123	156,001	(2,701)
Instructional staff	301,720	(3,837)	389,393	(16,394)
Pupil transportation	5,000	817	-	-
Central	3,681	(2,759)	278	(722)
Pass-through	<u>169,698</u>	<u>4,668</u>	<u>156,869</u>	<u>2,670</u>
Total	<u>\$ 1,848,861</u>	<u>\$ 10,555</u>	<u>\$ 1,743,781</u>	<u>\$ (18,697)</u>

**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. At June 30, 2018, the Compact's governmental funds reported a combined fund cash balance of \$206,709, which represents a decrease of \$10,555 compared to the June 30, 2017 combined fund cash balance. The schedule below indicates the fund cash balances and the total change in fund cash balances as of June 30, 2018 and 2017, for all governmental funds.

	<b>Fund Cash Balance (Deficit)</b>		
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$ 213,415	\$ 199,089	\$ 14,326
Other Local Grants	22,775	26,456	(3,681)
Vocational Education Grants	(13,807)	(8,281)	(5,526)
Miscellaneous State Grants	<u>(15,674)</u>	<u>-</u>	<u>(15,674)</u>
Total	<u>\$ 206,709</u>	<u>\$ 217,264</u>	<u>\$ (10,555)</u>



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

***General Fund***

The general fund had cash receipts, primarily charges for services, of \$1,481,031 in 2018. The cash disbursements of the general fund totaled \$1,466,705 in 2018. The general fund's cash disbursements are primarily for vocational instruction costs and instructional staff support costs. The general fund's cash balance increased \$14,326 from 2017 to 2018.

***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 and cash disbursements of \$3,681 in 2018.

***Vocational Education Grants Fund***

The vocational education grants fund had cash receipts consisting of Federal grants in the amount of \$276,976. Cash disbursements totaled \$282,502 in 2018 and the change in fund cash balance was a decrease of \$5,526.

***Miscellaneous State Grants Fund***

The miscellaneous state grants fund is used to account for the Compact's Secondary Transitions Grant program. This fund had cash receipts consisting of State grants in the amount of \$80,299 and cash disbursements of \$95,973 in 2018 and the change in fund cash balance was a decrease of \$15,674.

**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 2018.

***Debt Administration***

The Compact had no long-term debt obligations outstanding at June 30, 2018.

**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.

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 206,709
Total assets . . . . .	206,709
<b>Net cash position:</b>	
Restricted for:	
Locally funded programs . . . . .	22,775
Unrestricted . . . . .	183,934
Total net cash position. . . . .	\$ 206,709

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, 2018

	<b>Program Cash Receipts</b>			<b>Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position</b>
<b>Cash Disbursements</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental activities:</b>				
Current:				
Instruction:				
Regular . . . . .	\$ 13,777	\$ 4,410	\$ 6,427	\$ (2,940)
Vocational . . . . .	1,171,990	1,171,990	-	-
Other. . . . .	5,745	3,142	-	(2,603)
Support services:				
Pupil. . . . .	177,250	14,692	156,435	(6,123)
Instructional staff . . . . .	301,720	279,787	25,770	3,837
Pupil transportation . . . . .	5,000	-	4,183	(817)
Central . . . . .	3,681	6,440	-	2,759
Pass-through. . . . .	169,698	-	165,030	(4,668)
Totals. . . . .	\$ 1,848,861	\$ 1,480,461	\$ 357,845	(10,555)
				Change in net cash position . . . . . (10,555)
				<b>Net cash position at beginning of year. . . . . 217,264</b>
				<b>Net cash position at end of year . . . . . \$ 206,709</b>

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, 2018

	<u>General</u>	<u>Other Local Grants</u>	<u>Vocational Education Grants</u>	<u>Miscellaneous State Grants</u>	<u>Total Governmental Funds</u>
<b>Cash assets:</b>					
Equity in pooled cash and cash equivalents . . .	\$ 213,415	\$ 22,775	\$ (13,807)	\$ (15,674)	\$ 206,709
Total assets . . . . .	<u>\$ 213,415</u>	<u>\$ 22,775</u>	<u>\$ (13,807)</u>	<u>\$ (15,674)</u>	<u>\$ 206,709</u>
<b>Fund cash balances:</b>					
Restricted:					
Other purposes . . . . .	\$ -	\$ 22,775	\$ -	\$ -	\$ 22,775
Assigned:					
Student and staff support . . . . .	63,580	-	-	-	63,580
Unassigned (deficit) . . . . .	149,835	-	(13,807)	(15,674)	120,354
Total fund cash balances . . . . .	<u>\$ 213,415</u>	<u>\$ 22,775</u>	<u>\$ (13,807)</u>	<u>\$ (15,674)</u>	<u>\$ 206,709</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, 2018

	<u>General</u>	<u>Other Local Grants</u>	<u>Vocational Education Grants</u>	<u>Miscellaneous State Grants</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>					
From local sources:					
Classroom materials and fees . . . . .	\$ 4,300	\$ -	\$ -	\$ -	\$ 4,300
Charges for services. . . . .	1,476,161	-	-	-	1,476,161
Contributions and donations . . . . .	570	-	-	-	570
Intergovernmental - state. . . . .	-	-	-	80,299	80,299
Intergovernmental - federal. . . . .	-	-	276,976	-	276,976
Total cash receipts . . . . .	<u>1,481,031</u>	<u>-</u>	<u>276,976</u>	<u>80,299</u>	<u>1,838,306</u>
<b>Cash disbursements:</b>					
Current:					
Regular . . . . .	6,777	-	-	7,000	13,777
Vocational . . . . .	1,171,990	-	-	-	1,171,990
Other . . . . .	5,745	-	-	-	5,745
Support services:					
Pupil . . . . .	9,898	-	114,179	53,173	177,250
Instructional staff . . . . .	270,920	-	-	30,800	301,720
Pupil transportation . . . . .	-	-	-	5,000	5,000
Central . . . . .	-	3,681	-	-	3,681
Pass-through. . . . .	1,375	-	168,323	-	169,698
Total cash disbursements . . . . .	<u>1,466,705</u>	<u>3,681</u>	<u>282,502</u>	<u>95,973</u>	<u>1,848,861</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	14,326	(3,681)	(5,526)	(15,674)	(10,555)
<b>Fund cash balances (deficit) at beginning of year . . . . .</b>	<u>199,089</u>	<u>26,456</u>	<u>(8,281)</u>	<u>-</u>	<u>217,264</u>
<b>Fund cash balances (deficit) at end of year. . . . .</b>	<u>\$ 213,415</u>	<u>\$ 22,775</u>	<u>\$ (13,807)</u>	<u>\$ (15,674)</u>	<u>\$ 206,709</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, 2018

**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, 2018

**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, 2018

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

*Miscellaneous state grants fund* - This fund is used to account for various grant 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, 2018

**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 when appropriating fund balances to cover a gap between estimated revenue 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, 2018

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

**L. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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, 2018 was \$206,709. The fiscal agent for the Compact is responsible for maintaining adequate depository collateral for all funds in the Hudson City School District's investment accounts.

**NOTE 3 - PENSION PLANS**

***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](http://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 after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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, 2018

**NOTE 3 - 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The Compact's contractually required contribution to SERS was \$5,962 for fiscal year 2018.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - 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 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 bearing the risk of investment gain or loss on the account. STRS 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. For fiscal year 2018, plan members were required to contribute 14 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 2018 contribution rates were equal to the statutory maximum rates.

The Compact's contractually required contribution to STRS Ohio was \$13,849 for fiscal year 2018.

**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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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, 2018

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

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Compact's contractually required contribution to SERS was \$221 for fiscal year 2018.

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

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the Compact has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Compact.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Compact.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Compact.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Compact

**B. Deficit Fund Cash Balances**

The vocational education grants fund and the miscellaneous state grants fund had deficit fund cash balances of \$13,807 and \$15,674, respectively, at June 30, 2018. The deficits resulted from spending approved grant monies in advance of receiving the full amount of the grant.

**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 years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Compact's basic financial statements and have issued our report thereon dated November 1, 2019, 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 misstatement 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 material weaknesses. However, material weaknesses may exist that have not been identified.



*Six District Educational Compact*

*Summit County*

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*

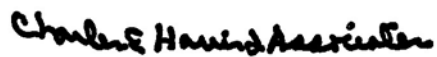
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***Compliance and Other Matters***

As part of obtaining reasonable assurance 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.***

November 1, 2019

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# OHIO AUDITOR OF STATE KEITH FABER



## 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 7, 2020