

SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY, OHIO
AUDITED
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2005 AND 2004

SCOTT SNYDER, TREASURER



**Auditor of State
Betty Montgomery**

Board of Trustees
Six District Educational Compact
2386 Hudson-Aurora Rd
Hudson, Ohio 44236

We have reviewed the *Independent Auditors' Report* of the Six District Educational Compact, Summit County, prepared by Julian & Grube, Inc. for the audit period July 1, 2003 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 2, 2006

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditors' Report

Members of the Executive Committee
Six District Educational Compact
2386 Hudson-Aurora Road
Hudson, OH 44236

We have audited the accompanying financial statements of the governmental activities and each major fund of the Six District Educational Compact (the "Compact"), Summit County, Ohio as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Compact's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Compact prepares its financial statements and notes on the basis of cash receipts and disbursements ("cash basis"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Six District Educational Compact, Summit County, Ohio, as of June 30, 2005 and 2004, and the respective changes in financial position for the fiscal years then ended in conformity with the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2006, on our consideration of the Compact's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.

Julian & Grube, Inc.
March 7, 2006

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
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 years ended June 30, 2005 and 2004, 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 2005 and 2004 are as follows:

- The total net cash assets of the governmental activities decreased \$5,737 which represents a 6.11% decrease from fiscal year 2004. For fiscal year 2004, the total net cash assets of the governmental activities increased \$43,439 or 85.98% from fiscal year 2003.
- For fiscal year 2005, the Compact had \$1,120,537 in cash disbursements related to governmental activities; \$1,174,079 of these cash disbursements were offset by program specific charges for services, grants or contributions which were adequate to provide for these programs. For fiscal year 2004, the Compact had \$1,017,716 in cash disbursements related to governmental activities; \$1,001,876 of these cash disbursements were offset by program specific charges for services, grants or contributions. The Compact received an advance of \$59,279 from the fiscal agent, Hudson City School District, during fiscal year 2004. This advance was repaid during fiscal year 2005.
- The Compact's major funds are the general fund, Support Services fund, Other Local Grants fund and the Vocational Education Grants fund, Career Development fund, and Other State Grants fund. The general fund had cash receipts of \$766,476 and \$655,829 in 2005 and 2004, respectively. The cash disbursements of the general fund, totaled \$756,227 and \$684,185 in 2005 and 2004, respectively. The general fund's cash balance increased \$10,249 from 2004 to 2005 and decreased \$28,356 from 2003 to 2004.
- The Support Services fund, a Compact major fund, had cash receipts of \$17,469 and \$27,294 in 2005 and 2004, respectively. The Support Services fund had cash disbursements of \$8,260 and \$17,976 in 2005 and 2004, respectively. The Support Services fund cash balance increased \$9,209 from 2004 to 2005 and increased \$9,318 from 2003 to 2004.
- The Other Local Grants fund, a Compact major fund, had cash receipts of \$17,000 and \$10,451 in 2005 and 2004, respectively. The Other Local Grants fund had cash disbursements of \$6,891 and \$5,549 in 2005 and 2004, respectively. The Other Local Grants fund cash balance increased \$10,109 from 2004 to 2005 and increased \$4,902 from 2003 to 2004.
- The Vocational Education Grants fund, a Compact major fund, had cash receipts of \$343,308 and \$207,189 in 2005 and 2004, respectively. The Vocational Education Grants fund had cash disbursements of \$287,388 and \$245,924 in 2005 and 2004, respectively. The Vocational Education Grants fund received an advance from the General fund in the amount of \$59,279 during 2004. This advance was repaid in 2005. The Vocational Education Grants fund cash balance decreased \$3,359 from 2004 to 2005 and increased \$20,544 from 2003 to 2004.
- The Career Development fund, a Compact major fund, had cash receipts of \$29,826 and \$31,113 in 2005 and 2004, respectively. The Career Development fund had cash disbursements of \$42,071 and \$13,782 in 2005 and 2004, respectively. The Career Development fund cash balance decreased \$12,245 from 2004 to 2005 and increased \$17,331 from 2003 to 2004.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED

- The Other State Grants fund, a major fund of the Compact, had cash receipts of \$70,000 during 2004 and no cash receipts in 2005. The Other State Grants fund had cash disbursements of \$19,700 and \$50,000 during 2005 and 2004, respectively. The Other State Grants fund cash balance decreased \$19,700 from 2004 to 2005 and increased \$19,700 from 2003 to 2004.

Using this Cash-Basis Financial Statement

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 Assets – Cash Basis and Statement of Activities – Cash Basis provides information about the activities of the whole Compact, presenting both 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 with all other nonmajor funds presented in total in one column. In the case of the Compact, there are six major governmental funds, the general fund, Support Services fund, Other Local Grants fund, Vocational Education Grants fund, Career Development fund, and the Other State Grants fund.

Reporting the Compact as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer the question, "How did we do financially during 2005 and 2004?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals 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 assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Compact as a whole, the cash basis financial position of the Compact has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Compact's facility conditions, mandated federal and state programs and other factors.

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

In the Statement of Net Assets – 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 Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 9-12 of this report.

**SIX DISTRICT EDUCATIONAL COMPACT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
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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, Support Services fund, Other Local Grants fund and the Vocational Education Grant fund. The analysis of the Compact's major governmental funds begins on page 13.

Governmental Funds

Most 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 principals 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 Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 13-20 of this report.

Notes to the 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 financial statements can be found on pages 21-25 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the Compact as a whole. Since 2004 was the Compact's first year preparing cash basis financial statements on a format consistent with GASB Statement No. 34, comparisons to 2003 are not available in the tables below. Comparative analysis between 2005 and 2004 follows:

	Net Cash Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 88,221	\$ 93,958
Total assets	<u>88,221</u>	<u>93,958</u>
<u>Net Cash Assets</u>		
Restricted	77,972	93,958
Unrestricted	<u>10,249</u>	<u>-</u>
Total net cash assets	<u>\$ 88,221</u>	<u>\$ 93,958</u>

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
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The total net cash assets of the Compact's governmental activities decreased \$5,737 from fiscal year 2004. The balance of government-wide unrestricted net cash assets of \$10,249 may be used to meet the Compact's ongoing obligations.

The table below shows the changes in net cash assets for fiscal year 2005 and 2004.

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 781,845	\$ 683,123
Operating grants and contributions	<u>392,234</u>	<u>318,753</u>
Total program cash receipts	<u>1,174,079</u>	<u>1,001,876</u>
Cash Disbursements:		
Current:		
Instruction:		
Regular	225,359	11,975
Vocational	557,876	586,779
Support services:		
Pupil	129,854	175,007
Instructional staff	198,351	222,405
Administration	2,206	13,676
Operations and maintenance	-	2,325
Central	<u>6,891</u>	<u>5,549</u>
Total cash disbursements	<u>1,120,537</u>	<u>1,017,716</u>
Increase (decrease) in net assets before advances	53,542	(15,840)
Advances in from fiscal agent	-	59,279
Repayment of advance to fiscal agent	<u>(59,279)</u>	<u>-</u>
Change in net cash assets	(5,737)	43,439
Net cash assets at beginning of year	<u>93,958</u>	<u>50,519</u>
Net cash assets at end of year	<u>\$ 88,221</u>	<u>\$ 93,958</u>

Governmental Activities

Governmental cash assets decreased by \$5,737 from 2005 to 2004 and increased \$43,439 from 2003 to 2004. For 2005, total governmental cash disbursements of \$1,120,537 were offset by program cash receipts of \$1,174,079. For 2004, total governmental cash disbursements of \$1,017,716 were offset by program cash receipts of \$1,001,876.

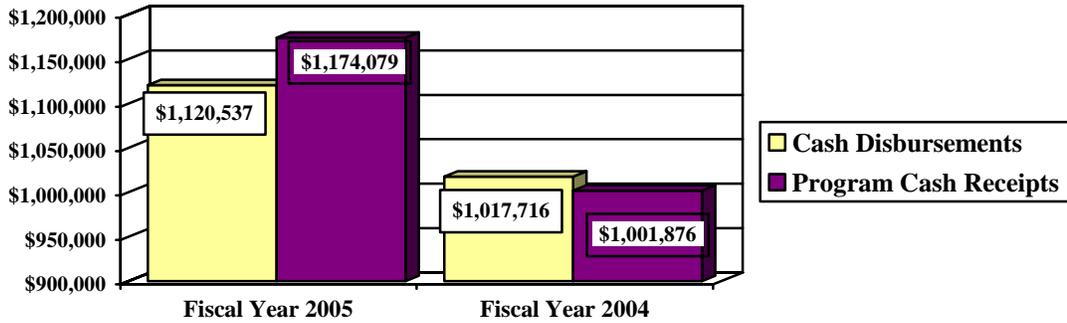
The primary sources of cash revenue for governmental activities are derived from charges for services. These revenue sources represent 66.59% and 68.18% for 2005 and 2004, respectively, of total governmental cash revenue.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
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The largest cash disbursement of the Compact is for instructional activities. These cash disbursements totaled \$783,235 or 69.90% of total governmental cash disbursements for fiscal year 2005 and cash disbursements totaled \$598,754 or 58.83% of total governmental cash disbursements for fiscal year 2004.

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 2005 and 2004. That is, it identifies the cost of these services supported by unrestricted state grants and entitlements.

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Cash disbursements:				
Current:				
Instruction:				
Regular	\$ 225,359	\$ (28,988)	\$ 11,975	\$ (6,418)
Vocational	557,876	-	586,779	38,850
Support services:				
Pupil	129,854	(1,736)	175,007	(19,567)
Instructional staff	198,351	(10,249)	222,405	9,195
Administration	2,206	(2,460)	13,676	(205)
Operations and maintenance	-	-	2,325	(1,113)
Central	6,891	(10,109)	5,549	(4,902)
Total	<u>\$ 1,120,537</u>	<u>\$ (53,542)</u>	<u>\$ 1,017,716</u>	<u>\$ 15,840</u>

The dependence upon program cash receipts for governmental activities is apparent; with all of cash disbursements supported through program cash receipts from charges for services and operating grants and contributions during 2005 and 2004.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
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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.

The Compact's governmental funds reported a combined fund cash balance of \$88,221, which is \$5,737 below last year's total of \$93,958. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2005, 2004 and 2003, for all major and nonmajor governmental funds.

	Fund Cash Balance			2005/2004	2004/2003
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>	Increase (Decrease)	Increase (Decrease)
Major Funds:					
General	\$ 10,249	\$ -	\$ 28,356	\$ 10,249	\$ (28,356)
Support Services	32,533	23,325	14,007	9,208	9,318
Other Local Grants	23,168	13,058	8,156	10,110	4,902
Vocational Education Grant	17,185	20,544	-	(3,359)	20,544
Career Development	5,086	17,331	-	(12,245)	17,331
Other State Grants	-	19,700	-	(19,700)	19,700
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 88,221</u>	<u>\$ 93,958</u>	<u>\$ 50,519</u>	<u>\$ (5,737)</u>	<u>\$ 43,439</u>

General Fund

The general fund, a Compact major fund, had cash receipts of \$766,476 and \$655,829 in 2005 and 2004, respectively. The primary source of revenue in the general fund is charges for services. The cash disbursements of the general fund totaled \$756,227 and \$684,185 in 2005 and 2004, respectively. The two major cash disbursement expenditures are for vocational costs and instructional staff costs. The general fund's cash balance increased \$10,249 from 2004 to 2005 and decreased \$28,356 from 2003 to 2004.

Support Services Fund

The Support Services fund, a Compact major fund, had cash receipts of \$17,469 and \$27,294 in 2005 and 2004, respectively. The cash receipts consisted of classroom materials and fees, charges for services, and contributions. The Support Services fund had cash disbursements of \$8,260 and \$17,976 in 2005 and 2004, respectively. The Support Services fund cash balance increased \$9,209 from 2004 to 2005 and increased \$9,318 from 2003 to 2004.

Other Local Grants Fund

The Other Local Grants fund, a Compact major fund, had cash receipts of \$17,000 and \$10,451 in 2005 and 2004, respectively. The Other Local Grants fund had cash disbursements of \$6,891 and \$5,549 in 2005 and 2004, respectively. The Other Local Grants fund cash balance increased \$10,109 from 2004 to 2005 and increased \$4,902 from 2003 to 2004.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004
UNAUDITED**

Vocational Education Grants Fund

The Vocational Education Grants fund, a Compact major fund, had cash receipts of \$343,308 and \$207,189 in 2005 and 2004, respectively. These receipts were all intergovernmental federal revenue. The Vocational Education Grants fund had cash disbursements of \$287,388 and \$245,924 in 2005 and 2004, respectively. The Vocational Education Grants fund received an advance from Hudson City Schools in the amount of \$59,279 during 2004 and repaid this advance in 2005. The Vocational Education Grants fund cash balance decreased \$3,359 from 2004 to 2005 and increased \$20,544 from 2003 to 2004.

Career Development Fund

The Career Development fund, a Compact major fund, had cash receipts of \$29,826 and \$31,113 in 2005 and 2004, respectively. These receipts were all intergovernmental federal revenue. The Career Development fund had cash disbursements of \$42,071 and \$13,782 in 2005 and 2004, respectively. The cash balance decreased \$12,245 from 2004 to 2005 and increased \$17,331 from 2003 to 2004.

Other State Grants Fund

The Other State Grants fund, a Compact major fund had cash receipts of \$70,000 in 2004 and no cash receipts in 2005. The Other State Grants fund had cash disbursements of \$19,700 and \$50,300 in 2005 and 2004, respectively. The cash balance decreased \$19,700 from 2004 to 2005 and increased \$19,700 from 2003 to 2004.

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 2005.

Debt Administration

The Compact had no long-term debt obligations outstanding at June 30, 2005, 2004 or 2003.

Current Financial Related Activities

Since its inception, the Compact continues to provide vocational 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, 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 Mr. Scott Snyder, Treasurer, Six District Educational Compact, 2386 Hudson-Aurora Road, Hudson, Ohio 44236.

**CASH BASIS BASIC
FINANCIAL STATEMENTS**

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**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 88,221
Total assets	88,221
Net assets:	
Restricted for:	
Locally funded programs.	23,168
State and federally funded programs	22,271
Other purposes	32,533
Unrestricted	10,249
Total net assets	\$ 88,221

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 93,958
Total assets	93,958
Net assets:	
Restricted for:	
Locally funded programs.	13,058
State and federally funded programs	57,575
Other purposes	23,325
Total net assets	\$ 93,958

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Current:				
Regular	\$ 225,359	\$ 11,264	\$ 243,083	\$ 28,988
Vocational	557,876	557,876	-	-
Support services:				
Pupil	129,854	-	131,590	1,736
Instructional staff	198,351	208,600	-	10,249
Administration	2,206	4,105	561	2,460
Central	6,891	-	17,000	10,109
Totals	\$ 1,120,537	\$ 781,845	\$ 392,234	53,542
				(59,279)
				(5,737)
				93,958
				\$ 88,221

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2004

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Current:				
Regular	\$ 11,975	\$ 18,393	\$ -	\$ 6,418
Vocational	586,779	442,619	105,310	(38,850)
Support services:				
Pupil	175,007	-	194,574	19,567
Instructional staff	222,405	213,210	-	(9,195)
Administration	13,676	5,463	8,418	205
Operations and maintenance	2,325	3,438	-	1,113
Central	5,549	-	10,451	4,902
Totals	\$ 1,017,716	\$ 683,123	\$ 318,753	(15,840)
				59,279
				43,439
				50,519
				\$ 93,958

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Support Services	Other Local Grants
Cash assets:			
Equity in pooled cash and cash equivalents	\$ 10,249	\$ 32,533	\$ 23,168
Total assets	\$ 10,249	\$ 32,533	\$ 23,168
Fund cash balances:			
Unreserved, undesignated, reported in:			
General fund	\$ 10,249	\$ -	\$ -
Special revenue funds	-	32,533	23,168
Total fund cash balances	\$ 10,249	\$ 32,533	\$ 23,168

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Vocational Education Grants	Career Development	Total Governmental Funds
\$ 17,185	\$ 5,086	\$ 88,221
<u>\$ 17,185</u>	<u>\$ 5,086</u>	<u>\$ 88,221</u>
\$ -	\$ -	\$ 10,249
<u>17,185</u>	<u>5,086</u>	<u>77,972</u>
<u><u>\$ 17,185</u></u>	<u><u>\$ 5,086</u></u>	<u><u>\$ 88,221</u></u>

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
JUNE 30, 2004

	Support Services	Other Local Grants	Vocational Education Grants
Cash assets:			
Equity in pooled cash and cash equivalents	\$ 23,325	\$ 13,058	\$ 20,544
Total assets	\$ 23,325	\$ 13,058	\$ 20,544
Fund cash balances:			
Unreserved, undesignated reported in:			
Special revenue funds	\$ 23,325	\$ 13,058	\$ 20,544
Total fund cash balances	\$ 23,325	\$ 13,058	\$ 20,544

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

<u>Career Development</u>	<u>Other State Grants</u>	<u>Total Governmental Funds</u>
\$ 17,331	\$ 19,700	\$ 93,958
<u>\$ 17,331</u>	<u>\$ 19,700</u>	<u>\$ 93,958</u>
\$ 17,331	\$ 19,700	\$ 93,958
<u>\$ 17,331</u>	<u>\$ 19,700</u>	<u>\$ 93,958</u>

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Support Services	Other Local Grants
Cash receipts:			
From local sources:			
Classroom materials and fees	\$ -	\$ 5,915	\$ -
Charges for services	766,476	9,454	-
Contributions and donations	-	2,100	17,000
Intergovernmental - state.	-	-	-
Intergovernmental - federal.	-	-	-
Total cash receipts	766,476	17,469	17,000
Cash disbursements:			
Current:			
Regular	-	6,054	-
Vocational.	557,876	-	-
Support services:			
Pupil.	-	-	-
Instructional staff	198,351	-	-
Administration.	-	2,206	-
Central.	-	-	6,891
Total cash disbursements.	756,227	8,260	6,891
Excess (deficiency) of cash receipts over (under) cash disbursements	10,249	9,209	10,109
Other financing uses:			
Repayment of advance to fiscal agent	-	-	-
Total other financing uses.	-	-	-
Net change in fund cash balances	10,249	9,209	10,109
Fund cash balances at beginning of year	-	23,324	13,059
Fund cash balances at end of year	\$ 10,249	\$ 32,533	\$ 23,168

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Vocational Education Grants	Career Development	Other State Grants	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 5,915
-	-	-	775,930
-	-	-	19,100
-	29,826	-	29,826
343,308	-	-	343,308
<u>343,308</u>	<u>29,826</u>	<u>-</u>	<u>1,174,079</u>
177,234	42,071	-	225,359
-	-	-	557,876
110,154	-	19,700	129,854
-	-	-	198,351
-	-	-	2,206
-	-	-	6,891
<u>287,388</u>	<u>42,071</u>	<u>19,700</u>	<u>1,120,537</u>
<u>55,920</u>	<u>(12,245)</u>	<u>(19,700)</u>	<u>53,542</u>
<u>(59,279)</u>	<u>-</u>	<u>-</u>	<u>(59,279)</u>
<u>(59,279)</u>	<u>-</u>	<u>-</u>	<u>(59,279)</u>
(3,359)	(12,245)	(19,700)	(5,737)
20,544	17,331	19,700	93,958
<u>\$ 17,185</u>	<u>\$ 5,086</u>	<u>\$ -</u>	<u>\$ 88,221</u>

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Support Services	Other Local Grants
Cash receipts:			
From local sources:			
Classroom materials and fees.	\$ -	\$ 8,525	\$ -
Charges for services	655,829	18,769	-
Contributions and donations	-	-	10,451
Intergovernmental - state.	-	-	-
Intergovernmental - federal.	-	-	-
Total cash receipts	655,829	27,294	10,451
Cash disbursements:			
Current:			
Regular	-	11,975	-
Vocational.	461,780	-	-
Support services:			
Pupil.	-	-	-
Instructional staff	222,405	-	-
Administration.	-	3,676	-
Operations and maintenance	-	2,325	-
Central.	-	-	5,549
Total cash disbursements.	684,185	17,976	5,549
Excess (deficiency) of cash receipts over (under) cash disbursements	(28,356)	9,318	4,902
Other financing sources:			
Advance in from fiscal agent.	-	-	-
Total other financing sources.	-	-	-
Net change in fund cash balances	(28,356)	9,318	4,902
Fund cash balances at beginning of year	28,356	14,007	8,156
Fund cash balances at end of year	\$ -	\$ 23,325	\$ 13,058

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Vocational Education Grants	Career Development	Other State Grants	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 8,525
-	-	-	674,598
-	-	-	10,451
-	31,113	70,000	101,113
207,189	-	-	207,189
<u>207,189</u>	<u>31,113</u>	<u>70,000</u>	<u>1,001,876</u>
-	-	-	11,975
124,999	-	-	586,779
110,925	13,782	50,300	175,007
-	-	-	222,405
10,000	-	-	13,676
-	-	-	2,325
-	-	-	5,549
<u>245,924</u>	<u>13,782</u>	<u>50,300</u>	<u>1,017,716</u>
<u>(38,735)</u>	<u>17,331</u>	<u>19,700</u>	<u>(15,840)</u>
<u>59,279</u>	<u>-</u>	<u>-</u>	<u>59,279</u>
<u>59,279</u>	<u>-</u>	<u>-</u>	<u>59,279</u>
20,544	17,331	19,700	43,439
-	-	-	50,519
<u>\$ 20,544</u>	<u>\$ 17,331</u>	<u>\$ 19,700</u>	<u>\$ 93,958</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

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-Monroe 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 may attend any vocational or special education class offered by any of the six individual school district in which the student resides, 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 service 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 of the Compact 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. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. The cash receipts and disbursements basis of accounting is a comprehensive basis of accounting other than 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.

C. Fund Accounting

The Six District Educational Compact (the "Compact") uses funds to maintain its financial records during the year. Fund accounting is a concept development 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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

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

Governmental Funds - The Compact classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange 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 all financial resources except those required by law or contract to be accounted for 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.

Support Services Fund - This fund is used to account for charges for services, fees and donations to support the programs of the Compact.

Other Local Grants Fund - This fund is used to account for local grants that are legally restricted to cash disbursements 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.

Career Development Fund - This fund is used to account for state money that is legally restricted for cash disbursements related to career development and vocational education.

Other State Grants Fund - This fund is used to account for state grants that are legally restricted to cash disbursements for specific purposes.

D. 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 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. Nonmajor funds are aggregated and presented in a single column.

E. 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 Agent. The Compact's funds are maintained in separate funds with the fiscal agent.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

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

F. Capital Assets

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

G. Net Assets

Net assets are 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 assets are available.

NOTE 2 - EQUITY IN POOLED CASH

The Hudson City School District 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, 2005 and June 30, 2004, was \$88,221 and \$93,958, respectively. The fiscal agent for the Compact is responsible for maintaining adequate depository collateral for all funds in the Hudson City School District's investment accounts.

NOTE 3 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the Compact is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the Compact's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2005, 10.57% of annual covered salary was the portion to fund pension obligations. For fiscal year 2004, 8.09% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Compact has paid all contributions required through June 30, 2005. The Compact's required contributions for pension obligations for the fiscal years ended 2005, 2004 and 2003 were \$3,993, \$3,655, and \$3,353, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 3 - DEFINED BENEFIT PENSION PLAN - (Continued)

B. State Teachers Retirement System

The Compact contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the Compact is required to contribute at an actuarially determined rate. The current Compact rate is 14% of annual covered payroll. A portion of the Compact's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The Compact's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004 and 2003 were \$20,082, \$17,371, and \$15,027, respectively.

NOTE 4 - POSTEMPLOYMENT BENEFITS

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

NOTE 4 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the Compact, this amount equaled \$1,545 during fiscal 2005 and \$1,336 during fiscal 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the Compact, the amount to fund health care benefits equaled \$1,296 during the 2005 fiscal year and \$1,974 during the 2004 fiscal year.



Julian & Grube, Inc.

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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*

Members of the Executive Committee
Six District Educational Compact
2386 Hudson-Aurora Road
Hudson, OH 44236

We have audited the financial statements of the Six District Educational Compact (the "Compact") as of and for the fiscal year ended June 30, 2005 and 2004, and have issued our report thereon dated March 7, 2006, wherein we noted the Compact prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Compact's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the members of the Executive Committee in a separate letter dated March 7, 2006.

Compliance and Other Matters

As part of reasonably assuring whether the Compact's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the members of the Executive Committee in a separate letter dated March 7, 2006.

This report is intended solely for the information and use of the management and Members of the Executive Committee of the Compact and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
March 7, 2006



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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
MAY 16, 2006**