



**Auditor of State
Betty Montgomery**

SIX DISTRICT EDUCATIONAL DISTRICT
SUMMIT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Six District Educational Compact
Summit County
2400 Hudson-Aurora Road
Hudson, Ohio 44236

To the Executive Committee:

We have audited the accompanying financial statements of the Six District Educational Compact, Summit County, Ohio, (the Compact) as of and for the years ended June 30, 2003 and 2002. 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 obtain reasonable assurance about 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 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 described Note 1, the Compact prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Six District Educational Compact, Summit County, as of June 30, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Executive Committee, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 21, 2003

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Tuition and Fees	\$363,224		\$363,224
Charges for Services	102,500		102,500
Intergovernmental - State	71,896	\$42,536	114,432
Intergovernmental - Federal		270,718	270,718
Other Revenue	5,074		5,074
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	542,694	313,254	855,948
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Instruction:			
Vocational	359,719	196,791	556,510
Other			
Support Services:			
Pupil		8,182	8,182
Instructional Staff	174,957	47,474	222,431
Administrative		10,000	10,000
Custodian & Utilities	495		495
Central		7,000	7,000
Service Area Direction		6,015	6,015
Auxiliary Services		47,955	47,955
Vocational Education Activity Office		8,921	8,921
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	535,171	332,338	867,509
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	7,523	(19,084)	(11,561)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,523	(19,084)	(11,561)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, July 1	20,833	41,247	62,080
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30	\$28,356	\$22,163	\$50,519
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Tuition and Fees	\$311,425		\$311,425
Charges for Services	171,000		171,000
Intergovernmental - State	20,400	\$60,545	80,945
Intergovernmental - Federal		245,592	245,592
Other Revenue	8,110		8,110
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	510,935	306,137	817,072
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Instruction:			
Regular	1,306		1,306
Vocational	324,093	108,353	432,446
Other	14,327		14,327
Support Services:			
Pupil		191,548	191,548
Instructional Staff	208,769	31,250	240,019
Administrative		4,863	4,863
Custodian & Utilities	270		270
Central		6,717	6,717
Auxiliary Services		47,714	47,714
Vocational Education Activity Office		8,545	8,545
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	548,765	398,990	947,755
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(37,830)	(92,853)	(130,683)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Repayment of Loan to Cuyahoga Falls City School District	0	(35,775)	(35,775)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	(35,775)	(35,775)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,830)	(128,628)	(166,458)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, July 1	58,663	169,875	228,538
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30	\$20,833	\$41,247	\$62,080
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The notes to the financial statements are an integral part of this statement.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE 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 districts. If a student elects to attend a class offered by a school district other than the 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 revenues are generated from charges for service.

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 Cuyahoga Falls 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. Receipts are recognized when received in cash rather than when they are earned. Disbursements are recognized when they are paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

The Cuyahoga Falls City School District serves as fiscal agent for the Compact. The investments of the Districts' funds, including Compact funds, are determined by the respective District's Treasurer. The Compact deposits and invests in financial institutions and investment instruments in accordance with the guidelines identified in the Ohio Revised Code Section 135.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING

The Compact uses fund accounting to segregate cash and investments that are restricted as to use. The Compact classifies its funds into the following types.

Governmental Funds:

Governmental Funds are those through which most governmental functions of the Compact are financed. The acquisition, use and balances of the Compact's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The following are the Compact's Governmental Fund Types:

General Fund – The General Fund is the operating fund on 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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Compact had the following significant Special Revenue Fund:

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

E. PROPERTY, PLANT, AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Compact's cash is held by the Cuyahoga Falls City School District Treasurer who maintains a cash and investment pool used by all funds, including those of the Compact. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amounts of cash and investments at June 30 of the respective year are as follows:

	<u>2003</u>	<u>2002</u>
Total Deposits and Investments	\$50,519	\$62,080

Deposits are insured by the Federal Depository Insurance Corporation.

3. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**SIX DISTRICT EDUCATIONAL COMPACT
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002
(Continued)**

4. SUBSEQUENT EVENTS

As of July 1, 2003, the duties of acting as the Six District Educational Compact fiscal agent were transferred from the Cuyahoga Falls City School District to the Hudson City School District. The change had no effect on the current financial statements, nor the operations of the Compact.

In July 2003, the Compact incurred approximately \$75,000 of flood damage. A claim was filed with the Federal Emergency Management Agency.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Six District Educational Compact
Summit County
2400 Hudson-Aurora Road
Hudson, Ohio 44236

To the Executive Committee:

We have audited the financial statements of the Six District Educational Compact, Summit County, Ohio, (the Compact) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated November 21, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

However, we noted immaterial instances of noncompliance that we have reported to Management of the Compact in a separate letter dated November 21, 2003.

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 opinion on the financial statements and not to provide assurance 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 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 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 do not require inclusion in this report, that we have reported to Management of the Compact in a separate letter dated November 21, 2003.

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Six District Educational Compact
Summit County
Independent Accountants' Report on Compliance and on
Internal Control Required By *Government Auditing Standards*
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This report is intended for the information and use of management, the Executive Committee, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 21, 2003



**Auditor of State
Betty Montgomery**

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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
JANUARY 8, 2004**