



Dave Yost • Auditor of State



**ALLIANCE FOR HIGH QUALITY EDUCATION  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Alliance for High Quality Education  
Franklin County  
1950 North Mallway Drive  
Upper Arlington, Ohio 43221

To the Executive Committee:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of Alliance for High Quality Education, Franklin County, Ohio (the Alliance) as of and for the year ended June 30, 2016.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting a financial statement free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Alliance's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Alliance's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statement, the Alliance prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Alliance does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Alliance as of June 30, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash balances of the Alliance for High Quality Education, Franklin County, Ohio, as of June 30, 2016, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 21, 2016

**THE ALLIANCE FOR HIGH QUALITY EDUCATION  
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED JUNE 30, 2016**

	<u>2016</u>
<b>Cash Receipts:</b>	
Intergovernmental Receipts	\$273,875
Earnings on Investments	356
Other Income	<u>8,610</u>
Total Cash Receipts	<u>282,841</u>
<b>Cash Disbursements:</b>	
Current:	
Executive Director	103,638
Public Relations Consultant	101,525
Travel - Out of Pocket	8,070
Rent	6,814
Utilities	1,311
Supplies	685
Memberships	1,500
Meeting Expenses	108
Conference Costs	13,334
Special Projects	6,578
Total Cash Disbursements	<u>243,563</u>
Total Receipts Over/(Under) Disbursements	<u>39,278</u>
Fund Cash Balances, July 1	<u>214,007</u>
<b>Fund Cash Balances, June 30</b>	
Unassigned	<u><u>253,285</u></u>

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

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ALLIANCE FOR ADEQUATE SCHOOL FUNDING  
FRANKLIN COUNTY  
Notes to the Financial Statement  
For the Years Ended June 30, 2016

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**Note 1 – Reporting Entity**

The Alliance for Adequate School Funding, Franklin County, (the Alliance) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Alliance operates under the direction of a thirteen-member Executive Committee, appointed by their respective regions. The purpose of the Alliance is to take such action as is necessary and appropriate to protect the concept of the existing system of school funding, including:

- Documenting the long-term effect of equity funding in various states;
- Objectively analyzing and comparing the effects of the current Ohio finance system on the basic instructional program among all Alliance's members;
- Developing and supporting a reform package that focuses on student achievement and success; and,
- Working to increase the awareness of the Alliance's position to the public, other educators, and the General Assembly.

The Alliance's management believes these financial statements present all activities for which the Alliance is financially accountable.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**Note 2 – Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The Alliance's financial statement follows the basis of accounting the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Alliance recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes and permits

**B. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Alliance is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions

ALLIANCE FOR ADEQUATE SCHOOL FUNDING  
FRANKLIN COUNTY  
Notes to the Financial Statement  
For the Years Ended June 30, 2016  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Alliance Board of Directors. Those committed amounts cannot be used for any other purpose unless the Alliance Board of Directors remove or change 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 Alliance for specific purposes but do not meet the criteria to be classified as restricted or 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 the Alliance Board of Directors or an Alliance official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Alliance applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The Alliance does not have a formal minimum fund balance policy.

**C. Cash and Investments**

The Alliance's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

During fiscal year 2016, the Alliance invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30.

ALLIANCE FOR ADEQUATE SCHOOL FUNDING  
FRANKLIN COUNTY  
Notes to the Financial Statement  
For the Years Ended June 30, 2016  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

D. Equity in Pooled Cash and Investments

The Alliance maintains a cash and investments pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 follows:

	<b><u>2016</u></b>
Demand Deposits	\$ 134,368
Total Deposits	<u>\$ 134,368</u>
STAR Ohio	\$ 118,917
Total Investments	<u>\$ 118,917</u>
Total Deposits and Investments	<u><u>\$ 253,285</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Alliance for High Quality Education  
Franklin County  
1950 North Mallway Drive  
Upper Arlington, Ohio 43221

To the Executive Committee:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balances, receipts, and disbursements of the Alliance for High Quality Education, Franklin County, Ohio, (the Alliance) as of and for the year ended June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated October 21, 2016, wherein we noted the Alliance followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Alliance's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statement, but not to the extent necessary to opine on the effectiveness of the Alliance's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Alliance's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Alliance's financial statement are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Alliance's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 21, 2016



# Dave Yost • Auditor of State

**ALLIANCE FOR HIGH QUALITY EDUCATION**

**FRANKLIN 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  
NOVEMBER 22, 2016**