

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL**

**FRANKLIN COUNTY**

**REGULAR AUDIT**

**JULY 1, 2005 – JUNE 30, 2006**





# Mary Taylor, CPA

Auditor of State

Board of Directors  
Upper Arlington International Baccalaureate High School  
1950 North Mallway  
Upper Arlington, Ohio 43221

We have reviewed the *Independent Auditors' Report* of the Upper Arlington International Baccalaureate High School, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Upper Arlington International Baccalaureate High School is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

January 12, 2007

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**UPPER ARRLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

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## INDEPENDENT AUDITORS' REPORT

Upper Arlington International Baccalaureate High School  
Franklin County  
1950 North Mallway Drive  
Upper Arlington, Ohio 43221

To the Board:

We have audited the accompanying financial statements of the of the Upper Arlington International Baccalaureate High School, Franklin County, Ohio (the IB School), a component unit of the Upper Arlington City School District, as of and for the fiscal year ended June 30, 2006, which collectively comprise the IB School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the IB School'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonable 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above are presented fairly, in all material respects, the financial position of the Upper Arlington International Baccalaureate High School, Franklin County, Ohio as of June 30, 2006, and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

Upper Arlington International Baccalaureate High School  
Franklin County  
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006 on our consideration of the IB School'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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

*Wilson, Shuman & Snow, Inc.*

November 8, 2006

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Fiscal year Ended June 30, 2006  
Unaudited*

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The discussion and analysis of the Upper Arlington International Baccalaureate School's (the "IB School") financial performance provides an overall review of the IB School's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the IB School's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the IB School's financial performance. 2006 was the 2<sup>nd</sup> year of operations with students. In 2004 the IB School was organized and received start-up grants in the amount \$100,777, while incurring start-up cost in the amount of \$38,126.

**FINANCIAL HIGHLIGHTS**

- Net Assets increased \$32,022.
- Operating revenues accounted for \$407,015 in revenue or 73% of all revenues.
- Capital asset additions of \$33,886 consisted of a mobile computer lab.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of two parts – management's discussion and analysis and the basic financial statements. These statements are organized so the reader can understand the financial position of the IB School. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the basic statement of position for the IB School. The statement of revenues, expenses and changes in net assets presents increases (e.g., revenue) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the IB School finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

**FINANCIAL ANALYSIS OF THE IB SCHOOL AS A WHOLE**

The IB School is not required to present government-wide financial statements as the IB School engaged in only business-type activities. Therefore, no condensed financial information derived from government-wide financial statements is included in the discussion and analysis.

The following tables represent the IB School's condensed financial information for 2006 and 2005 derived from the statement of net assets and the statement of activities.

	<u>Net Assets</u>	
	<u>2006</u>	<u>2005</u>
Current and other	\$ 43,773	\$ 36,621
Capital assets, net	<u>33,188</u>	<u>3,364</u>
Total assets	<u>76,961</u>	<u>39,985</u>
Current liabilities	<u>18,766</u>	<u>13,812</u>
Total liabilities	<u>18,766</u>	<u>13,812</u>
Net assets		
Invested in capital assets	33,188	3,364
Unrestricted	<u>25,007</u>	<u>22,809</u>
Total net assets	<u>\$ 58,195</u>	<u>\$ 26,173</u>

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Fiscal year Ended June 30, 2006  
Unaudited*

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Changes in Net Assets – The following table shows the changes in net assets for the fiscal years 2006 and 2005:

	<u>Change in Net Assets</u>	
	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Foundation	\$346,450	\$186,940
Fees	<u>60,565</u>	<u>25,290</u>
Total Revenues	<u>407,015</u>	<u>212,230</u>
Expenses:		
Purchased Services	434,533	250,033
Supplies and Materials	86,675	100,524
Depreciations	<u>4,062</u>	<u>374</u>
Total Expenses	<u>525,270</u>	<u>350,931</u>
Operating Loss	<u>(118,255)</u>	<u>(138,701)</u>
Non Operating Revenues		
Federal Grants	<u>150,277</u>	<u>102,223</u>
Change in Net Assets	32,022	(36,478)
Net Assets Beginning of Year	<u>26,173</u>	<u>62,651</u>
Net Assets End of Year	<u>\$ 58,195</u>	<u>\$ 26,173</u>

The IB School operates as one business-type enterprise fund; therefore, no analysis of balances and transactions of individual funds are included in the discussion and analysis. Results of fiscal year 2006 indicate a increase in net assets of \$32,022 and ending net assets of \$58,195. The increase is the result of receiving additional grant funds, as well as an increase in State Foundation (Foundation) revenues. The State Foundation revenues are funds paid to school districts from the State of Ohio based on enrollment. In 2005 only seniors participated in the IB School; whereas, in 2006 both juniors and seniors participated which increased enrollment from thirty-three students to fifty-nine students. The dependence upon State Foundation revenues is apparent as it represents 85% of the operating revenue of the IB School.

#### BUDGET

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the IB School's contract with its Sponsor. The contract between the IB School and its Sponsor does not prescribe a budgetary process for the IB School. The IB School has developed a five-year projection that is reviewed periodically by the Board of Directors.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

At the end of fiscal 2006 the IB School had \$33,188 net of accumulated depreciation invested in equipment.

##### Debt

The IB School has not issued any debt.

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Fiscal year Ended June 30, 2006  
Unaudited*

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**ECONOMIC FACTORS**

Management is currently unaware of any facts, decisions or conditions that have occurred that are expected to have a significant effect on financial position or results of operations.

**OPERATIONS**

The Upper Arlington International Baccalaureate High School (IB School) is a legally separate not-for-profit served by an appointed seven-member board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The IB School aims to develop inquiring, knowledgeable and caring young people who help create a better and more peaceful world through intercultural understanding and respect. This School develops the whole student, helping students to grow intellectually, socially, aesthetically and culturally. A liberal arts education is provided including science and the humanities, languages, mathematics, technology and the arts. The educational program teaches students to think critically and encourages them to draw connections between areas of knowledge and use problem-solving techniques and concepts from the many disciplines.

The IB School is approved by the International Baccalaureate Organization and offers an International Baccalaureate Diploma Programme. The IB School is intended to serve junior and senior level students who reside within the Upper Arlington City School District.

The IB School is a discretely presented component Unit of the Upper Arlington City School District (Sponsor). The IB School was approved for operation under a five year contract, starting July 1, 2004, with the Sponsor.

The IB School operates under the direction of a seven member Board of Directors made up of:

1. Four persons employed and serving in administrator positions with the Sponsor, which positions shall be designated by the Sponsor.
2. Two persons desiring to further the objectives of the Sponsor in the establishment and operation of the IB School and who shall be selected from the community in general or from among parents of the students of the IB School. Such persons shall neither be officers nor employees of the Sponsor but shall be elected by the Sponsor.
3. One person who is employed as a teacher by the Sponsor and/or the IB School, and who shall be elected by the Sponsor.

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

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*Management's Discussion and Analysis  
For the Fiscal year Ended June 30, 2006  
Unaudited*

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the IB School's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, contact Andrew L. Geistfeld, Treasurer of Upper Arlington International Baccalaureate School.

UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

ASSETS:

Current Assets:

Cash and cash equivalents	\$	31,607
Due from other governments		12,166
Total Current Assets:		43,773

Non-Current Assets:

Depreciable capital assets, net of accumulated depreciation		33,188
TOTAL ASSETS		76,961

LIABILITIES:

Current Liabilities:

Accounts payable		18,766
TOTAL LIABILITIES		18,766

NET ASSETS

Invested in capital assets		33,188
Unrestricted		25,007
TOTAL NET ASSETS	\$	58,195

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

UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Operating Revenues:	
Foundation	\$ 346,450
Fees	60,565
Total operating revenues	407,015
Operating Expenses:	
Purchased services	434,533
Supplies and materials	86,675
Depreciation	4,062
Total operating expenses	525,270
Operating loss	(118,255)
Nonoperating revenues -	
Federal grants	150,277
Change in net assets	32,022
Net assets at beginning of year	26,173
Net assets end of the year	\$ 58,195

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

UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Cash flows from operating activities:	
Cash received for foundation payments	\$ 366,647
Cash received for fees	60,565
Cash payments supplies and material	(81,721)
Cash payments for purchased services	(434,533)
Net cash flows used for operating activities	(89,042)
Cash flows from noncapital financing activities	
Federal grant monies received	138,111
Cash flows from capital and related financing activities	
Acquisition of capital assets	(33,886)
Net decrease in cash and cash equivalents	15,183
Cash and cash equivalents at beginning of year	16,424
Cash and cash equivalents at end of year	\$ 31,607
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (118,255)
Adjustment to reconcile operating loss to net cash used for operations:	
Depreciation	4,062
Changes in assets and liabilities:	
Decrease in receivable	20,197
Increase in accounts payable	4,954
Net cash used for operating activities	\$ (89,042)

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

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Upper Arlington International Baccalaureate High School (IB School) is a legally separate not-for-profit served by an appointed seven-member board of Directors and meets the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The IB School aims to develop inquiring, knowledgeable and caring young people who help create a better and more peaceful world through intercultural understanding and respect. This IB School develops the whole student, helping students to grow intellectually, socially, aesthetically and culturally. A liberal arts education is provided including science and the humanities, languages, mathematics, technology and the arts. The educational program teaches students to think critically and encourages them to draw connections between areas of knowledge and use problem-solving techniques and concepts from the many disciplines.

The IB School is approved by the International Baccalaureate Organization and offers an International Baccalaureate Diploma Programme. The IB School is intended to serve junior and senior level students who reside within the Upper Arlington City School District.

The IB School is a discretely presented component unit of the Upper Arlington City School District (Sponsor). The IB School was approved for operation under a five year contract, starting July 1, 2004, with the Sponsor.

The IB School operates under the direction of a seven member Board of Directors made up of:

1. Four persons employed and serving in administrator positions with the Sponsor, which positions shall be designated by the Sponsor.
2. Two persons desiring to further the objectives of the Sponsor in the establishment and operation of the IB School and who shall be selected from the community in general or from among parents of the students of the IB School. Such persons shall neither be officers nor employees of the Sponsor but shall be elected by the Sponsor.
3. One person who is employed as a teacher by the Sponsor and/or the IB School, and who shall be elected by the Sponsor.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the IB School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The IB School also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989, provided they do not conflict with contradict GASB pronouncements. The IB School does not apply FASB Statements and Interpretations issued after November 30, 1989. Following are the more significant of the IB School's accounting policies.

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(A) Basis of Presentation*

The IB School's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

*(B) Measurement focus*

Enterprise accounting uses a flow economic *resources measurement focus*. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net assets. The difference between total assets and total liabilities is defined as net assets. The statement of revenues, expenses, and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows provides information about how the IB School finances and meets the cash flow needs of its enterprise activities.

*(C) Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The statements are prepared using the full accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the IB School receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the IB School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the IB School on a reimbursement basis. Expenses are recognized at the time they are incurred.

*(D) Budgetary Process*

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the IB Schools contract with the Sponsor. The IB School's contract with its Sponsor does not prescribe a budgetary process.

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(E) Cash and Cash Equivalents*

Cash held by the IB School is reflected as “Cash and Cash and Equivalents” on the statement of net assets. All monies received by the IB School are maintained in a demand deposit account. For internal accounting purposes, the IB School segregates its cash. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months are reported as investments. During fiscal 2006, the IB School had no investments.

*(F) Capital Assets and Depreciation*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The IB School follows the policy of not capitalizing assets with a cost of less than \$2,500. All reported capital assets, with the exception of land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line half-year convention method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Furniture and Equipment	5 years

*(G) Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the IB School or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The IB School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The IB School did not have any restricted net assets at fiscal year end.

*(H) Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*(I) Operating Revenues and Expenses*

Operating revenues are those revenues that generally are directly from the primary activities of the IB School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the IB School. All revenues and expenses not meeting this definition are reported as nonoperating.

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(CONTINUED)**

**3. CASH AND CASH EQUIVALENTS**

At June 30, 2006, the carrying amount of all IB School deposits was \$31,607 and the bank balance was \$34,868. Based on the criteria described in GASB Statement No. 40, "Deposit and Investments Risk Disclosure," as of June 30, 2006, none of the bank balance was exposed to custodial risk as discussed below, while all of the bank balance was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the IB School will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the IB School.

**4. RECEIVABLES**

The amount due from other governments at June 30, 2006, consists of \$12,166 due from the Federal Government for the fiscal year 2006 Federal Community School Grant.

**5. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2006, follows:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Equipment	\$ 3,738	\$33,886	\$ -	\$37,624
Accumulated Depreciation	<u>(374)</u>	<u>(4,062)</u>	<u>-</u>	<u>(4,436)</u>
Capital Assets, Net	<u>\$ 3,364</u>	<u>\$29,824</u>	<u>\$ -</u>	<u>\$33,188</u>

**6. RELATED PART TRANSACTIONS**

The IB School is a discretely presented component unit of the Upper Arlington City School District. As described in Note 1, the Upper Arlington City School District (sponsor) is the IB School Sponsor. The Sponsor and IB School entered into a five-year sponsorship agreement starting July 1, 2004 whereby terms of the sponsorship were established.

In fiscal year 2006, payments made by the IB School to the Sponsor totaled \$317,933. This represents contract service payment for teaching, use of office space and equipment, and other related services provided by the Sponsor.

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(CONTINUED)**

**7. PURCHASED SERVICES**

During the fiscal year ended June 30, 2006, purchased service expenses for services rendered by various vendors were as follows:

Contract Services and Supplies	\$313,684
Other Purchase Services	120,844
IB Association Fees	<u>8,850</u>
Total Purchased Services	<u>\$434,533</u>

**8. MANAGEMENT PLANS**

For fiscal 2006, the IB School had an operating loss of (\$118,255), while net assets increased by \$32,022.

Management continues to promote the IB School through its website and informational pamphlets to eligible students. Enrollment in fiscal year 2005 was limited to only the senior class, while fiscal 2006 and beyond include juniors and seniors. Student enrollment increased from thirty-three students in June 2005 to fifty-nine students in June 2006. As of October 2006 (fiscal year 2007), enrollment has remained steady at fifty-nine students.

**9. CONTINGENCIES**

**A. Grants**

The IB School receives financial assistance from federal 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the IB School at June 30, 2006.

**B. Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's community (i.e., Charter) school's program violates the state Constitution and state laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that community schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. On October 25, 2006 the Ohio Supreme Court held that the State law authorizing the establishment and operations of community schools is constitutional both on its face and as applied.

**UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006  
(CONTINUED)**

**9. CONTINGENCIES (Continued)**

**C. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for 2005-06 school year occurred and all documentation was found to be in order; however, there still is a potential for an adjustment of year-end payments. The IB School does not anticipate any material adjustments to state funding for fiscal year 2006.



**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***

Board of Directors  
Upper Arlington International Baccalaureate High School  
Franklin County  
1950 North Mallway Drive  
Upper Arlington, Ohio 43221

We have audited the financial statements of the of the Upper Arlington International Baccalaureate High School, Franklin County, Ohio (the IB School), a component unit of the Upper Arlington City School District, as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 8, 2006. 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 IB School'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 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 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.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
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Upper Arlington International Baccalaureate High School  
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the IB School'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 the 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*.

This report is intended solely for the information and use of the management, Board of Directors, and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 8, 2006



**Mary Taylor, CPA**  
Auditor of State

UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL

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  
JANUARY 30, 2007