

UPPER ARLINGTON INTERNATIONAL BACCALAUREATE HIGH SCHOOL

FRANKLIN COUNTY

REGULAR AUDIT

JULY 1, 2006 – JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Directors
Upper Arlington International Baccalaureate High School
950 North Mallway Drive
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, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 30, 2007

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**UPPER ARLINGTON 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, 2007, 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 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 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, 2007, 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
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Upper Arlington International Baccalaureate High School
Franklin County
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007 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, Shanna & Snow, Inc.

October 8, 2007

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

*Management's Discussion and Analysis
For the Fiscal year Ended June 30, 2007
Unaudited*

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, 2007. 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. 2007 was the 3rd year of operations with students.

FINANCIAL HIGHLIGHTS

- Net Assets increased \$67,805.
- Operating revenues accounted for \$387,216 in revenue or 74.1% of all revenues.
- Capital asset additions of \$31,010 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 following tables represent the IB School's condensed financial information for 2007 and 2006 derived from the statement of net assets and the statement of revenues, expenses, and changes in net assets.

	Net Assets	
	2007	2006
Current and other assets	\$ 72,522	\$ 43,773
Capital assets, net	<u>53,498</u>	<u>33,188</u>
Total assets	<u>126,020</u>	<u>76,961</u>
Current liabilities	<u>20</u>	<u>18,766</u>
Total liabilities	<u>20</u>	<u>18,766</u>
Net assets		
Invested in capital assets	53,498	33,188
Unrestricted	<u>72,502</u>	<u>25,007</u>
Total net assets	<u>\$126,000</u>	\$ <u>58,195</u>

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

*Management's Discussion and Analysis
For the Fiscal year Ended June 30, 2007
Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2007 and 2006:

	Change in Net Assets	
	2007	2006
Operating Revenues:		
Foundation	\$322,560	\$346,450
Fees	<u>64,656</u>	<u>60,565</u>
Total revenues	<u>387,216</u>	<u>407,015</u>
Expenses:		
Purchased services	391,413	434,533
Supplies and materials	52,311	86,675
Depreciation	<u>10,700</u>	<u>4,062</u>
Total expenses	<u>454,424</u>	<u>525,270</u>
Operating loss	<u>(67,208)</u>	<u>(118,255)</u>
Non Operating Revenues:		
Federal grants	<u>135,013</u>	<u>150,277</u>
Change in net assets	67,805	32,022
Net assets beginning of year	<u>58,195</u>	<u>26,173</u>
Net assets end of year	<u>\$126,000</u>	<u>\$ 58,195</u>

The IB School operates as a business-type enterprise fund. Results of fiscal year 2007 indicate a increase in net assets of \$67,805 and ending net assets of \$126,000. The increase is the result of receiving additional grant funds while reducing current year expenses. 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 & 2007, both juniors and seniors participated which increased enrollment from thirty-three students in 2005 to sixty-two students in 2006 with a slight decrease to fifty-seven students in 2007. The dependence upon State Foundation revenues is apparent as it represents 83.3% 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.

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

*Management's Discussion and Analysis
For the Fiscal year Ended June 30, 2007
Unaudited*

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007 the IB School had \$53,498 net of accumulated depreciation invested in equipment.

Debt

The IB School has not issued any debt.

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.

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

*Management's Discussion and Analysis
For the Fiscal year Ended June 30, 2007
Unaudited*

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.

As of June 30, 2007, six Board of Director positions were open due to Ohio House Bill (HB) 79 which restricted employees of the Sponsor entity from serving as a Director on the Board.

On September 17, 2007, the Sponsor approved a resolution and revisions to the contract which changed the make-up of the Board of Directors to the following:

1. Three elected or appointed public officials or public employees, or other community leaders who have demonstrated a professional interest in education or in other issues involving children, and who desire to further the objectives of IB School.
2. Two parents of students who attend IB School or community civic leaders.

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, 2007**

ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 12,885
Due from other governments	<u>59,637</u>
Total current assets	<u>72,522</u>
Non-current assets:	
Depreciable capital assets, net of accumulated depreciation	<u>53,498</u>
TOTAL ASSETS	<u>126,020</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	<u>20</u>
TOTAL LIABILITIES	<u>20</u>
NET ASSETS:	
Invested in capital assets	53,498
Unrestricted	<u>72,502</u>
TOTAL NET ASSETS	<u>\$ 126,000</u>

The notes to the basic 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, 2007**

Operating Revenues:		
Foundation	\$	322,560
Fees		64,656
Total operating revenues		<u>387,216</u>
Operating Expenses:		
Purchased services		391,413
Supplies and materials		52,311
Depreciation		10,700
Total operating expenses		<u>454,424</u>
Operating loss		<u>(67,208)</u>
Nonoperating revenues:		
Federal grants		<u>135,013</u>
Change in net assets		67,805
Net assets beginning of year		<u>58,195</u>
Net assets end of year	\$	<u><u>126,000</u></u>

The notes to the basic 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, 2007**

Cash flows from operating activities:	
Cash received for foundation payments	\$ 322,560
Cash received for fees	64,656
Cash payments for supplies and materials	(71,077)
Cash payments for purchased services	(391,393)
Net cash used by operating activities	<u>(75,254)</u>
Cash flows from noncapital financing activities:	
Federal grant monies received	<u>87,542</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(31,010)</u>
Net decrease in cash and cash equivalents	(18,722)
Cash and cash equivalents at the beginning of the year	<u>31,607</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 12,885</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (67,208)
Adjustments to reconcile operating loss to net cash used for operations:	
Depreciation	10,700
Changes in assets and liabilities:	
Decrease in accounts payable	<u>(18,746)</u>
Net cash used by operating activities	<u><u>\$ (75,254)</u></u>

The notes to the basic 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, 2007**

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.

As of June 30, 2007, six Board of Director positions were open due to Ohio House Bill (HB) 79 which restricted employees of the Sponsor entity from serving as a Director on the Board.

On September 17, 2007, the Sponsor approved a resolution and revisions to the Contract which changed the make-up of the Board of Directors to the following:

1. Three elected or appointed public officials or public employees, or other community leaders who have demonstrated a professional interest in education or in other issues involving children, and who desire to further the objectives of IB School.
2. Two parents of students who attend IB School or community civic leaders.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the IB School have been prepared in conformity with accounting principles generally accepted in the United States of America (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 or 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.

(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 a transaction is 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 grants, entitlements, and fees. Revenue from grants, entitlements, and fees 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(E) Cash and Cash Equivalents

Cash held by the IB School is reflected as "Cash and Cash 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 2007, 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:

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 are generally 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.

3. CASH DEPOSITS

At June 30, 2007, the carrying amount of all IB School deposits was \$ 12,885 and the bank balance was \$ 25,786. Based on the criteria described in GASB Statement No. 40, "Deposit and Investments Risk Disclosure," as of June 30, 2007, 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, 2007, consists of \$59,637 due from the Federal Government for the fiscal year 2007 Federal Community School Grant.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

5. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007, follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Equipment	\$37,624	\$31,010	\$ -	\$68,634
Accumulated Depreciation	<u>(4,436)</u>	<u>(10,700)</u>	<u>-</u>	<u>(15,136)</u>
Total	<u>\$33,188</u>	<u>\$20,310</u>	<u>\$ -</u>	<u>\$53,498</u>

6. RELATED PARTY 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 2007, payments made by the IB School to the Sponsor totaled \$224,985, which is reported in purchased services. This represents contract service payment for teaching, use of office space and equipment, and other related services provided by the Sponsor.

7. 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, 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

7. CONTINGENCIES - CONTINUED

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.

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 2006-07 school year occurred and all documentation was found to be in order. The IB School does not anticipate any material adjustments to state funding for fiscal year 2008.



**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, 2007, and have issued our report thereon dated October 8, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IB School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the IB School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the IB School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the IB School's financial statements that is more than inconsequential will not be prevented or detected by the IB School's internal control.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Upper Arlington International Baccalaureate High School
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the IB School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, the Auditor of State, and others within the IB School, and is not intended to be and should not be used by anyone other than these specified parties.

William Sherman & Sons, Inc.

Newark, Ohio
October 8, 2007



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
NOVEMBER 13, 2007