

**UPPER ARLINGTON INTERNATIONAL  
BACCALAUREATE HIGH SCHOOL**

*(A COMPONENT UNIT OF THE  
UPPER ARLINGTON CITY SCHOOL DISTRICT)*

**FRANKLIN COUNTY**

**REGULAR AUDIT**

**JULY 1, 2009 – JUNE 30, 2010**







# Dave Yost • Auditor of State

Board of Directors  
Upper Arlington International Baccalaureate High School  
1950 N. 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, 2009 through June 30, 2010. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 31, 2011

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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 basic financial statements 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, 2010, 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Upper Arlington International Baccalaureate High School, Franklin County, Ohio as of June 30, 2010, and the respective changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, the IB School Board of Directors passed a resolution to cease all operations on June 30, 2010.

*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 October 6, 2010 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. 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 accounting principles generally accepted in the United States of America requires. 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.*

October 6, 2010

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

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
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, 2010. 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. 2010 was the sixth and final year of operations with students.

On April 16, 2010, The Upper Arlington International Baccalaureate High School Board of Directors passed a resolution ("Resolution to Close") to shut down the operations of the IB School and transfer all property of every description, and every interest therein, and all obligations of or belonging to or due the IB School to the Upper Arlington City School District. Operations ceased effective June 30, 2010.

#### FINANCIAL HIGHLIGHTS

- Net Assets decreased \$34,031 due to the aforementioned transfer of assets to the Upper Arlington City School District.
- Operating revenues accounted for \$438,003 in revenue or 92.1% of all revenues.

#### 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.

As discussed in Note 10, on June 30, 2010, the IB School ceased operations and all assets were transferred to the Upper Arlington School District; therefore, amounts are not presented within the statement of net assets at June 30, 2010.



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

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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FINANCIAL ANALYSIS OF THE IB SCHOOL AS A WHOLE

The following tables represent the IB School's condensed financial information for 2010 and 2009 derived from the statement of net assets and the statement of revenues, expenses, and changes in net assets.

	Net Assets	
	2010	2009
Current and other assets	\$ -	\$ 8,975
Capital assets, net	-	26,044
Total assets	-	35,019
Current liabilities	-	988
Total liabilities	-	988
Net assets		
Invested in capital assets	-	26,044
Unrestricted	-	7,987
Total net assets	\$ -	\$ 34,031

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2010 and 2009:

	Change in Net Assets	
	2010	2009
Operating Revenues:		
Foundation	\$ 341,072	\$ 257,988
Fees	96,781	68,368
Other	150	1,101
Total revenues	438,003	327,457
Expenses:		
Purchased Services	373,001	254,034
Supplies and Materials	110,481	71,949
Depreciation	10,107	13,727
Total expenses	493,589	339,710
Operating Loss	(55,586)	(12,253)
Non Operating Revenues:		
Federal & State Grants	37,492	3,000
Special item -		
Transfer of assets to the Upper Arlington City School District	(15,937)	-
Change in Net Assets	(34,031)	(9,253)
Net Assets Beginning of Year	34,031	43,284
Net Assets End of Year	\$ -	\$ 34,031

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

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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The IB School operated as a business-type enterprise fund. Results of fiscal year 2010 indicate a decrease in net assets of \$34,031 and ending net assets of \$0. The decrease is the result of the reduction in federal funding for this program. The State Foundation revenues are funds paid to school districts from the State of Ohio based on enrollment. In 2010 and 2009, the IB School enrollment was sixty-three and forty-five students, respectively. The dependence upon State Foundation revenues was apparent as it represented 77.9% 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 did not prescribe a budgetary process for the IB School. The IB School had developed a five-year projection that was reviewed periodically by the Board of Directors.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2010 the IB School had no capital assets which is a direct result of the IB School transferring all assets to the Upper Arlington City School District.

**Debt**

The IB School had not issued any debt.

**CEASED OPERATIONS**

On April 16, 2010, The Upper Arlington International Baccalaureate High School Board of Directors passed a resolution ( "Resolution to Close") to shut down the operations of the IB School and transfer all property of every description, and every interest therein, and all obligations of or belonging to or due the IB School to the Upper Arlington City School District. Operations ceased effective June 30, 2010.

On the statement of revenues, expenses, and changes in net assets, the amount of net assets transferred to the Upper Arlington City School District has been reported as "transfer of assets to the Upper Arlington City School District".

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

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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**OPERATIONS**

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

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

The IB School was 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, and has renewed its contract for up to five years with the Sponsor, starting July 1, 2009. Operations ceased effective June 30, 2010.

The IB School operated under the direction of a five member Board of Directors made up of:

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, 2010

<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ -
Total Current Assets	<u>-</u>
Non-Current Assets:	
Depreciable capital assets, net of accumulated depreciation	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>-</u></u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>
 <b>NET ASSETS:</b>	
Invested in capital assets	-
Unrestricted	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ -</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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenues:	
Foundation	\$ 341,072
Fees	96,781
Other	150
Total operating revenues	438,003
Operating Expenses:	
Purchased services	373,001
Supplies and materials	110,481
Depreciation	10,107
Total operating expenses	493,589
Operating loss	(55,586)
Nonoperating revenues:	
Federal & State grants	37,492
Change in net assets before special item	(18,094)
Special item:	
Transfer of assets to the Upper Arlington City School District	(15,937)
Change in net assets	(34,031)
Net assets at beginning of year	34,031
Net assets end of the year	\$ -

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, 2010

Cash flows from operating activities:	
Cash received for foundation payments	\$ 341,072
Cash received for fees and other	96,931
Cash payments supplies and material	(111,469)
Cash payments for purchased services	(373,001)
Net cash flows used for operating activities	<u>(46,467)</u>
Cash flows from noncapital financing activities:	
Federal & state grant monies received	<u>37,492</u>
Net decrease in cash and cash equivalents	(8,975)
Cash and cash equivalents at beginning of year	<u>8,975</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (55,586)
Adjustment to reconcile operating loss to net cash used for operations:	
Depreciation	10,107
Changes in assets and liabilities:	
Decrease in accounts payable	(988)
Net cash used for operating activities	<u><u>\$ (46,467)</u></u>
Non Cash Activity:	
Special item:	
Transfer of capital assets to the Upper Arlington City School District	<u><u>\$ 15,937</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, 2010**

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

The Upper Arlington International Baccalaureate High School (IB School) was a legally separate not-for-profit served by an appointed five-member Board of Directors and met the definition of a conversion school under chapter 3314 of the Ohio Revised Code. The IB School aimed 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 developed the whole student, helping students to grow intellectually, socially, aesthetically and culturally. A liberal arts education was provided including science and the humanities, languages, mathematics, technology and the arts. The educational program taught 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 was approved by the International Baccalaureate Organization and offered an International Baccalaureate Diploma Programme. The IB School was intended to serve junior and senior level students who resided within the Upper Arlington City School District.

The IB School was a discretely presented component unit of the Upper Arlington City School District (Sponsor). Originally approved for operation under a five year contract with the Sponsor on July 1, 2004, IB School had renewed its five year contract with the Sponsor, starting July 1, 2009

During fiscal 2010, The IB School operated under the direction of a five member Board of Directors made up of:

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.

The IB School ceased operations on June 30, 2010 (see Note 10).

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010**

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

As discussed in Note 10, on June 30, 2010, the IB School ceased operations and all assets were transferred to the Upper Arlington City School District; therefore, no amounts are presented within the statement of net assets at June 30, 2010.

*(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 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.

*(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 did not prescribe a budgetary process.

*(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 year 2010, the IB School had no investments.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010**

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

(F) *Capital Assets and Depreciation*

All capital assets were 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 was computed using the straight-line half-year convention method over the following useful lives:

Furniture and Equipment	5 years
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(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 are generally and 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 non-operating.

(J) *Intergovernmental Revenues*

The IB School participated in the State Foundation Program, through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements were met. Amounts awarded under State Foundation Program for the 2010 school year, excluding federal and state grants, totaled \$341,072.

The IB School participated in the EMIS grant. Revenue received from this program was recognized as nonoperating revenue in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010**

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

Eligibility requirements included timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is 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. State grants for the fiscal year 2010 received by the IB School were \$3,000.

*(K) Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. At June 30, 2010, as discussed in Note 10, the IB School transferred all assets to the Upper Arlington City School District due to the IB School Board of Directors passing a resolution to cease operations. On the statement of revenues, expenses and changes in net assets the amount of assets transferred to the Upper Arlington City School District has been reported as “transfer of assets to the Upper Arlington City School District”.

**3. CASH DEPOSITS**

At June 30, 2010, the carrying amount of all IB School deposits was \$0 and the bank balance was \$0. The IB School ceased operations on June 30, 2010 (see Note 10).

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. CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2010, follows:

	<u>Balance at 07/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer of Assets to UACSD</u>	<u>Balance at 06/30/10</u>
Equipment	\$ 68,634	\$ -	\$ -	\$ (68,634)	\$ -
Less: Accumulated Depreciation	<u>(42,590)</u>	<u>(10,107)</u>	_____	<u>52,697</u>	_____
Capital Assets, net	<u>\$ 26,044</u>	<u>\$ (10,107)</u>	\$ _____	<u>\$ (15,937)</u>	\$ _____

The IB School’s Board of Directors adopted a separate resolution approved on March 9, 2010 transferring all assets to the Upper Arlington City School District upon recommendation of legal council.(see Note 10).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010**

**5. RECEIVABLES**

There were no receivables at June 30, 2010. The IB School ceased operations on June 30, 2010 (see Note 10).

**6. SPONSORSHIP AGREEMENT**

The Community School Sponsorship Contract between the IB School and the Upper Arlington City School District outlined the specific responsibilities to be provided by the Upper Arlington City School District to the IB School as well the agreed upon payment amounts for any services provided to the IB School by Upper Arlington City School District.

Under the contract, the Upper Arlington City School District was required to provide the following services:

1. Instructional, supervisory/administrative, and technical services sufficient to effectively implement the IB School's educational plan, assessment and accountability plan.
2. Responsibility for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes with respect to all personnel providing to services to the IB School. Also, all personnel shall possess any certification or licensure which may be required by law.
3. Provide technical services that include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel.
4. Curricular services limited to standardized curriculum as developed.

**7. RELATED PARTY TRANSACTIONS**

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

In fiscal year 2010, payments made by the IB School to the Sponsor totaled \$336,686, which was reported in purchased services. This represents contract service payment for teaching, equipment, and other related services provided by the Sponsor.

**8. CONTINGENCIES**

**A. Grants**

The IB School received 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 was 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 would have a material adverse effect on the overall financial position of the IB School at June 30, 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2010**

**8. 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 Ohio Department of Education conducted a final close-out FTE review for the 2009-2010 school year and all documentation was found to be in order.

**9. RISK MANAGEMENT**

The IB School is exposed to various risks of loss related to torts, theft or damage, destruction of assets, errors and omissions, injuries to employees, and natural disasters. The IB School maintained insurance coverage consistent with the Upper Arlington City School District, the IB School Sponsor.

**10. CEASED OPERATIONS**

On April 16, 2010, The Upper Arlington International Baccalaureate High School Board of Directors passed a resolution ("Resolution to Close") to shut down the operations of the IB School and transfer all property of every description, and every interest therein, and all obligations of or belonging to or due the IB School to the Upper Arlington City School District. Operations ceased effective June 30, 2010.

On the statement of revenues, expenses, and changes in net assets, assets in the amount of \$15,937 were transferred to the Upper Arlington City School District. This amount was reported as a special item and reported as a "transfer of assets to the Upper Arlington City School District."



**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

To the Board of Directors:

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, 2010 which collectively comprise the IB School's basic financial statements, and have issued our report thereon dated October 6, 2010 wherein we noted the IB School Board of Directors ceased operations on June 30, 2010 as described in Note 10. 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*.

**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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the IB School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the IB School's internal control over financial reporting.

*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 more than a reasonable possibility that a material misstatement of the IB School's financial statements will not be prevented, or detected and timely corrected.

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
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Upper Arlington International Baccalaureate High School  
Franklin County  
Report on Internal Control over Financial  
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Matters Based on an Audit Performed in  
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**Compliance and Other Matters**

As part of reasonably assuring whether the IB School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, Board of Directors, the Community School's sponsor and others within the IB School. We intend it for no one other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

October 6, 2010



# Dave Yost • 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  
FEBRUARY 10, 2011