

***MEADOWS CHOICE COMMUNITY SCHOOL***

***LUCAS COUNTY***

**Audit Report**

**For the Year Ended June 30, 2010**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





# Dave Yost • Auditor of State

Governing Board  
Meadows CHOICE Community School  
1853 South Avenue  
Toledo, Ohio 43609

We have reviewed the *Report of Independent Accountants* of the Meadows CHOICE Community School, Lucas County, prepared by Charles E. Harris & Associates, 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 Meadows CHOICE Community 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

February 18, 2011

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**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2010**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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REPORT OF INDEPENDENT ACCOUNTANTS

Meadows CHOICE Community School  
Lucas County  
1853 South Avenue  
Toledo, Ohio 43609

To the Governing Board:

We have audited the accompanying basic financial statements of Meadows CHOICE Community School, Lucas County, Ohio, (the School), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

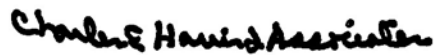
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadows CHOICE Community School, Lucas County, Ohio, as of June 30, 2010, and the changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15, the School will terminate operations June 30, 2011. The financial statements do not include any adjustments as a result of this decision.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2010 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meadow CHOICE Community School's financial statements. The accompanying schedule of federal awards expenditures is presented for the purpose of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Charles E. Harris" in a cursive style.

**Charles E. Harris & Associates, Inc.**  
December 26, 2010

**MEADOWS CHOICE COMMUNITY SCHOOL**  
**LUCAS COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The management's discussion and analysis of Meadows CHOICE Community School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets were \$22,922 at June 30 2010.
- The School had operating revenues of \$1,251,556 and operating expenses of \$2,104,274 for fiscal year 2010. The School also had \$677,738 in non-operating revenues (expenses) during fiscal year 2010. Total change in net assets for the fiscal year was a decrease of \$174,980.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the School, including all short-term and long-term financial resources and obligations.

**Reporting the School Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the School finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.



**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

The table below provides a summary of the School's net assets for fiscal years 2010 and 2009.

	<b>Net Assets</b>	
	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Current assets	\$ 195,089	\$ 327,439
Security deposits	4,000	4,000
Capital assets, net	<u>45,526</u>	<u>40,323</u>
<b>Total assets</b>	<u>244,615</u>	<u>371,762</u>
<b><u>Liabilities</u></b>		
Current liabilities	213,929	158,915
Non-current liabilities	<u>7,764</u>	<u>14,945</u>
<b>Total liabilities</b>	<u>221,693</u>	<u>173,860</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	37,762	25,378
Restricted	122,795	55,182
Unrestricted	<u>(137,635)</u>	<u>117,342</u>
<b>Total net assets</b>	<u>\$ 22,922</u>	<u>\$ 197,902</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School's net assets totaled \$22,922. Current assets decreased \$132,350 in fiscal year 2010 primarily due to a decrease in cash and cash equivalents. Current liabilities increased in fiscal year 2010, mainly from an increase in accrued wages and benefits.

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation payments attributed to 60.49% of total operating and non-operating revenues during fiscal year 2010.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

The table below shows the changes in net assets for fiscal years 2010 and 2009.

	2010	2009
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 1,167,595	\$ 1,200,141
Special education	53,444	148,150
Sales / charges for services	4,963	-
Other operating revenue	25,554	13,861
Total operating revenue	1,251,556	1,362,152
<b><u>Operating Expenses:</u></b>		
Salaries and wages	1,131,767	811,175
Fringe benefits	341,798	272,277
Purchased services	392,059	288,567
Materials and supplies	182,859	128,754
Depreciation	22,215	22,803
Other	33,576	17,456
Total operating expenses	2,104,274	1,541,032
<b><u>Non-operating revenues (expenses):</u></b>		
Federal and State grants	678,335	313,608
Interest income	199	589
Interest and fiscal charges	(796)	(1,375)
Total non-operating revenues (expenses)	677,738	312,822
Change in net assets	(174,980)	133,942
Net assets at beginning of year	197,902	63,960
Net assets at end of year	\$ 22,922	\$ 197,902

The increase in Federal and State grants was primarily due to an increase in grants from the American Recovery and Reinvestment Act (ARRA). This grant funding resulted in an increase in staffing, resulting in increased salaries and wages and fringe benefit expenses.

**Capital Assets**

At June 30, 2010, the School had \$45,526 invested in furniture, fixtures and equipment, vehicles and capital leases, net of accumulated depreciation. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

**Debt Administration**

The School had capital leases in the amount of \$7,764 outstanding at June 30, 2010. Of this total \$5,367 is due within one year and \$2,397 is due in greater than one year. See Note 12 in the notes to the basic financial statements for more detail on the capital leases outstanding.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

**Current Financial Related Activities**

The School's fiscal agent relationship with the Lucas County Educational Service Center aids in raising the quality of financial records and strengthens internal controls. During the 2009-2010 school year, there were approximately 166 students enrolled in the School. The School relies on the State Foundation Funds as well as State and Federal Sub-Grants to provide the monies necessary to operate the School.

**Contacting the School's Financial Management**

This financial report is designed to provide our clients and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Erica Pharis at Meadows CHOICE Community School, 1853 South Avenue, Toledo, Ohio 43609 or email [cepharis@bex.net](mailto:cepharis@bex.net).

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

<b>Assets:</b>	
<u>Current assets:</u>	
Cash and cash equivalents. . . . .	\$ 57,674
Receivables:	
Accounts . . . . .	420
Intergovernmental. . . . .	126,119
Prepayments . . . . .	10,876
	<hr/>
Total current assets . . . . .	195,089
<u>Non-current assets:</u>	
Security deposits. . . . .	4,000
Depreciable capital assets, net . . . . .	45,526
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Total non-current assets . . . . .	49,526
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Total assets. . . . .	244,615
 <b>Liabilities:</b>	
<u>Current liabilities:</u>	
Accounts payable. . . . .	5,861
Accrued wages and benefits . . . . .	160,078
Pension obligation payable. . . . .	38,780
Intergovernmental payable . . . . .	9,210
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Total current liabilities . . . . .	213,929
<u>Non-current liabilities:</u>	
Due within one year. . . . .	5,367
Due in more than one year. . . . .	2,397
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Total non-current liabilities . . . . .	7,764
	<hr/>
Total liabilities . . . . .	221,693
 <b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	37,762
Restricted for:	
Other purposes. . . . .	48,457
State programs. . . . .	571
Federal programs. . . . .	73,767
Unrestricted (deficit) . . . . .	(137,635)
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Total net assets . . . . .	\$ 22,922
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Operating revenues:</b>	
State foundation. . . . .	\$ 1,167,595
Special education. . . . .	53,444
Sales/charges for services. . . . .	4,963
Other . . . . .	25,554
Total operating revenues . . . . .	<u>1,251,556</u>
<b>Operating expenses:</b>	
Salaries and wages. . . . .	1,131,767
Fringe benefits. . . . .	341,798
Purchased services. . . . .	392,059
Materials and supplies . . . . .	182,859
Depreciation . . . . .	22,215
Other. . . . .	33,576
Total operating expenses. . . . .	<u>2,104,274</u>
Operating loss. . . . .	<u>(852,718)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and State grants . . . . .	678,335
Interest income. . . . .	199
Interest and fiscal charges . . . . .	(796)
Total nonoperating revenues (expenses) . . . . .	<u>677,738</u>
Change in net assets. . . . .	(174,980)
<b>Net assets at beginning of year . . . . .</b>	<u>197,902</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 22,922</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 1,221,039
Cash received from sales/charges for services. . . . .	4,963
Cash received from other operations . . . . .	25,134
Cash payments for salaries and wages. . . . .	(1,085,946)
Cash payments for fringe benefits. . . . .	(331,358)
Cash payments to suppliers for goods and services . . . . .	(390,598)
Cash payments for materials and supplies . . . . .	(185,064)
Cash payments for other expenses . . . . .	(34,771)
	<hr/>
Net cash used in operating activities . . . . .	(776,601)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State grants. . . . .	564,911
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Net cash provided by noncapital financing activities. . . . .	564,911
<b>Cash flows from capital and related financing activities:</b>	
Interest and fiscal charges . . . . .	(796)
Principal retirement on capital lease . . . . .	(7,181)
Acquisition of capital assets . . . . .	(27,418)
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Net cash used in capital and related financing activities. . . . .	(35,395)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	199
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Net cash provided by investing activities . . . . .	199
Net decrease in cash and cash equivalents. . . . .	(246,886)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>304,560</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 57,674</b>
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<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (852,718)
Adjustments:	
Depreciation . . . . .	22,215
Changes in assets and liabilities:	
(Increase) in accounts receivable . . . . .	(420)
(Increase) in prepayments. . . . .	(692)
Increase in accounts payable. . . . .	1,036
Increase in accrued wages and benefits. . . . .	48,226
Increase in intergovernmental payable. . . . .	1,902
Increase in pension obligation payable. . . . .	3,850
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Net cash used in operating activities. . . . .	\$ (776,601)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Meadows CHOICE (Center for Habilitation Options Insuring Children's Education) Community School (The "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School's objective is to provide an innovative, holistic approach to life-skill development through education, medical interface, clinical therapy, and collaboration with the community's stakeholders, to youth ages 11 through 14, with multi-handicapped, behavioral problems, developmental disorders and/or learning disabilities. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the School.

The School was approved for operation under an initial contract with the Lucas County Educational Service Center (the "Sponsor") for a period of five years ending July 24, 1998 and has been renewed annually. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of the School (See Note 10).

The School operates under the direction of a five-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Governing Board controls the School's one instructional/support facility staffed by 20 non-certified and 18 certified full-time teaching personnel who provide services to 166 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The 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. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of 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 flow provides information about how the 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 School's financial statements are prepared using the accrual basis of accounting.

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

Nonexchange transactions, in which the School receives value without directly giving equal value in return, include 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 School must provide local resources to be used for a specific purpose and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast that is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the School to prepare a 5-year forecast, update it annually and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

**E. Cash and Cash Equivalents**

The School's fiscal agent, the Lucas County Educational Service Center, accounts for all monies received by the School. All cash received by the fiscal agent is maintained in separate accounts in the School's name. Monies for the School are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and the presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.



**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

During the fiscal year ended 2010, the School only has deposits.

**F. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, American Recovery and Reinvestment Act (ARRA) grants, EMIS grant, Federal Food Service grants, IDEA-B grant, the Title VI-B grant, Title I, Title I-A, Title II-A, Title II-D, Title V and the Title IV-A. Revenues from the State Foundation Program are recognized as operating revenue in the accounting period in which all eligibility requirements had been met. Revenues received from the remaining programs are recognized as non-operating revenues 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense in the year in which services are consumed.

**H. Capital Assets**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$500 for furniture and equipment, capital leases and vehicles. The School does not possess any infrastructure.

Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Furniture, Fixtures and Equipment	5 years
Capital Leases	5 years
Vehicles	5 years

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditor, grantor, or laws or regulations of other governments. Net assets restricted for other purposes includes amounts restricted for food service operations and student activities.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the State and sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**K. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from those estimates.

**L. Security Deposits**

The School entered into a lease for the use of the building for the administration and instruction of the School. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. The lessor holds this amount, totaling \$4,000 (See Note 13).

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2010, the School has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the School.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the School.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

At fiscal year end June 30, 2010, the carrying amount of the School's deposits was \$57,674 and the bank balance was \$93,701. As of June 30, 2010, the entire bank balance was covered by the Federal Depository Insurance Corporation.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2010, consisted of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<u>Receivables</u>	<u>Amount</u>
Intergovernmental:	
State transportation	\$ 9,689
IDEA-B	20,569
Title II-D	422
Title I	46,484
Title I-A	38,774
Title IV-A	1,986
Title II-A	<u>8,195</u>
 Total Intergovernmental Receivables	 <u>\$ 126,119</u>

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 06/30/09	Additions	Deductions	Balance 06/30/10
Capital assets:				
Furniture, fixtures and equipment	\$ 71,271	\$ 27,418	\$ -	\$ 98,689
Capital leases	45,931	-	-	45,931
Vehicles	10,069	-	-	10,069
Total capital assets	<u>127,271</u>	<u>27,418</u>	<u>-</u>	<u>154,689</u>
Less: accumulated depreciation				
Furniture, fixtures and equipment	(51,436)	(13,440)	-	(64,876)
Capital leases	(34,505)	(6,761)	-	(41,266)
Vehicles	(1,007)	(2,014)	-	(3,021)
Total accumulated depreciation	<u>(86,948)</u>	<u>(22,215)</u>	<u>-</u>	<u>(109,163)</u>
Total capital assets, Net of accumulated depreciation	<u>\$ 40,323</u>	<u>\$ 5,203</u>	<u>\$ -</u>	<u>\$ 45,526</u>

**NOTE 7 - RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School contracted with the Ohio Casualty Group for general liability, property and educational errors and omissions insurance. The insurance coverage is as follows:

Commercial General Liability per Occurrence	\$ 1,000,000
Commercial General Liability Aggregate	2,000,000
Commercial General Liability Personal & Advertising Injury	1,000,000
Automobile Liability	1,000,000
Umbrella Liability	1,000,000

The School owns no property, but leases a facility located at 1853 South Avenue, Toledo, Ohio.

**B. Workers' Compensation**

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**C. Employee Benefits**

The School contracted through the Lucas County Educational Service Center to provide employee medical, dental and vision insurance to its employees. The School pays the full amount of the monthly premiums for all selected coverage (medical, dental and/or vision).

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$58,298, \$35,031 and \$29,124, respectively; 97.29 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 8 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$81,871, \$54,155 and \$47,899, respectively; 81.57 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$7,374 made by the School and \$5,267 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Governing Board have elected Social Security. The School's liability is 6.2 percent of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,913, \$20,828 and \$19,422, respectively; 97.29 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,467, \$2,890 and \$2,098, respectively; 97.29 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,298, \$4,166 and \$3,685 respectively; 81.57 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 10 - FISCAL AGENT**

The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Fiscal Officer of the School. As part of this agreement, the School shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to the School from the State of Ohio. A total contract payment of \$31,118 was paid during the year and a liability in the amount of \$2,341 was accrued as a liability for the year ended June 30, 2010.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the School:

- Maintain custody of all funds received by the School in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the School;
- Maintain all financial records of all state funds of the School and follow State Auditor procedures for receiving and expending State funds;
- Assist the School in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the School in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and,
- Pay obligations incurred by the School within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the School so long as the proposed expenditure is within the approved budget and funds are available.

**NOTE 11 - PURCHASED SERVICES**

For the period July 1, 2009 through June 30, 2010, purchased service expenses were payments for services rendered by various vendors, and are as follows:

<b><u>PURCHASED SERVICES</u></b>	
Professional and technical services	\$ 254,912
Property services	124,783
Travel mileage/meeting expense	2,006
Communications	4,545
Contracted craft or trade service	3,946
Pupil transportation services	436
Other	<u>1,431</u>
Total	<u>\$ 392,059</u>



**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

In a prior year, the School entered into capitalized leases for four copiers with MT Business Technologies, Inc. The leases meet the criteria of a capital lease as defined by the Financial Accounting Standards Board, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lease. The capital lease has been recorded at the present value of the future minimum lease payments as of inception date. Principal and interest payments made totaled \$7,181 and \$796, respectively for fiscal year 2010.

The following is a schedule of the future minimum lease payments required under the capital lease and present value of the minimum lease payment as of June 30, 2010.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 5,367	\$ 357
2012	<u>2,397</u>	<u>73</u>
Total	<u>\$ 7,764</u>	<u>\$ 430</u>

**NOTE 13 - OPERATING LEASES**

- A. The School renewed the operating lease with Bethel Lutheran Church, for the period August 1, 2009 through July 31, 2010 to lease classroom space to house the School, in the amount of \$7,674 per month. This lease was renewed for the period August 1, 2010 through July 31, 2011. Rent payments in the amount of \$85,969 were made in fiscal year 2010. Per the lease agreement, a security deposit of \$4,000 was required to be paid at the signing of the agreement and is held by the lessor.
- B. The School entered into two thirty-six month operating leases with Tesco Transportation for the use of two school buses, commencing August 1, 2008. The total lease payments are \$1,959 per month. Payments in the amount of \$19,652 were made in fiscal year 2010.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The School received financial assistance from State agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 School at June 30, 2010.

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the 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 School anticipates no adjustments to State funding for fiscal year 2011, as a result of the reviews which have yet to be completed.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 15 – SUBSEQUENT EVENT**

Subsequent to year end, the Academy was notified by the Ohio Department of Education (“ODE”) that the Academy must close by June 30, 2011 due to continued poor academic performance. ODE’s determination was based on the specific performance criteria described in Ohio Revised Code Section 3314.35 (“ORC”) as revised by the Ohio General Assembly effective July 17, 2009.

**Meadows CHOICE Community School**  
Schedule of Federal Awards Expenditures  
For The Fiscal Year Ended June 30, 2010

<u>Federal Grantor/Pass Trough Grantor Program Title</u>	<u>CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
(Passed Through Ohio Department of Education):			
Title V-FY 09	84.298	\$ (13)	\$ -
ARRA-Title I	84.389	104,135	105,028
Title I-FY 09	84.010	(14,723)	14,637
Title I-FY 10	84.010	171,688	170,384
Total Title I		<u>261,100</u>	<u>290,049</u>
ARRA-Special Education IDEA	84.391	42,122	45,414
Special Education-IDEA-FY 09	84.027	3,663	5,515
Special Education-IDEA-FY 10	84.027	38,779	37,516
Total Special Education		<u>84,564</u>	<u>88,445</u>
Title IV-FY 09	84.186	(117)	60
Title IV-FY 10	84.186	1,225	1,097
Total Title IV		<u>1,108</u>	<u>1,157</u>
Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	83,988	83,988
Title II-D-FY 09	84.318	404	41
Title II-D-FY 10	84.318	1,639	1,639
Total Title II-D		<u>2,043</u>	<u>1,680</u>
School Improvement Sub G	84.377	13,516	13,516
Title II-A-FY 09	84.367	(6,542)	-
Title II-A-FY 10	84.367	7,344	7,657
Total Title II-A		<u>802</u>	<u>7,657</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>\$ 447,108</b>	<b>\$ 486,492</b>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Nutrition Cluster:			
Passed Through Ohio Department of Education:			
Cash Assistance:			
National School Lunch Program	10.555	<u>\$ 109,812</u>	<u>\$ 98,397</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>109,812</u>	<u>98,397</u>
<b>TOTAL FEDERAL ASSISTANCE</b>		<b><u>\$ 556,920</u></b>	<b><u>\$ 584,889</u></b>

See notes to the Schedule of Federal Awards Expenditures

*Meadows CHOICE Community School*  
Lucas County, Ohio  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2010**

1. **Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Meadows CHOICE Community School's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. **Matching Requirements**

Certain federal programs require that the School contribute non-federal funds (matching funds) to support the federally-funded programs. The School has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

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

Meadows CHOICE Community School  
Lucas County  
1853 South Avenue  
Toledo, Ohio 43609

To the Governing Board:

We have audited the basic financial statements of Meadows CHOICE Community School, Lucas County (School), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 26, 2010. 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants 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 such 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, the Governing Board, the audit committee, the School's sponsor, federal awarding agencies and pass-through entities and others within the School. We intend it for no one other than these specified parties.

*Charles E. Harris and Associates*

***Charles E. Harris and Associates, Inc.***

December 26, 2010

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Meadows CHOICE Community School  
Lucas County  
1853 South Avenue  
Toledo, Ohio 43609

To the Governing Board:

**Compliance**

We have audited the compliance of the Meadows CHOICE Community School (School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, Meadows CHOICE Community School complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

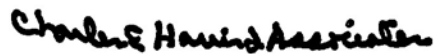
**Internal Control Over Compliance**

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Governing Board, the audit committee, the School's sponsor, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Charles Harris Associates". The signature is written in a cursive, slightly slanted style.

**CHARLES E. HARRIS & ASSOCIATES, INC.**

December 26, 2010



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**Meadows CHOICE Community School  
Lucas County  
June 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
		ARRA-Title I-CFDA# 84.389 Title I-CFDA# 84.010 Nutrition Cluster-CFDA # 10.555
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**MEADOWS CHOICE COMMUNITY SCHOOL  
LUCAS COUNTY  
JUNE 30, 2010**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2009, reported no material citations or recommendations.



# Dave Yost • Auditor of State

**MEADOWS CHOICE COMMUNITY SCHOOL**

**LUCAS 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  
MARCH 8, 2011**