

**Project Rebuild Community
High School**

Stark County, Ohio

Audited Financial Statements

For Fiscal Year Ended June 30, 2011



Dave Yost • Auditor of State

Board of Education
Project REBUILD Community High School
1731 Grace Ave NE
Canton, Ohio 44705-2261

We have reviewed the *Independent Auditor's Report* of the Project REBUILD Community High School, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Project REBUILD Community High School is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 10, 2011

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

TABLE OF CONTENTS

Title	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Independent Accountant’s Report on Applying Agreed-Upon Procedure.....	25



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

September 12, 2011

To the Board of Education
Project REBUILD Community High School
1731 Grace Ave. NE
Canton, OH 44705

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of the Project REBUILD Community High School (the "School"), as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements 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 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 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 respective financial position of the business-type activities of the School, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2011 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

Hea & Associates, Inc.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The discussion and analysis of Project REBUILD Community High School's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2011. Readers should also review the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Project REBUILD is in its 7th year of existence. Key financial highlights for fiscal year 2011 are as follows:

- Total net assets increased \$94,701 in fiscal year 2011.
- Total revenue decreased from \$898,452 in fiscal year 2010 to \$799,938 in fiscal year 2011.
- Total expenses decreased from \$815,313 in fiscal year 2010 to \$705,237 in fiscal year 2011.
- Current liabilities increased \$3,619 with assets increasing \$98,320 in fiscal year 2011.
- The School has no long term liabilities as of June 30, 2011.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets reflect "How the School did financially during fiscal year 2011?". These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and changes in those assets. This change in net assets is important because it tells the reader whether 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. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2011. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets as of June 30, 2011 compared to the prior year.

(Table 1)
Statement of Net Assets

	2011	2010
Assets:		
Current Assets	\$ 332,318	\$ 231,101
Capital Assets, net	0	2,897
Total Assets	332,318	233,998
 Liabilities:		
Current Liabilities	65,853	62,234
 Net Assets:		
Invested in Capital Assets	0	2,897
Unrestricted	266,465	168,867
	\$ 266,465	\$ 171,764

Current assets increased in 2011 by \$101,217 due to reduction in spending. Capital assets, net, decreased as a result of depreciation expense. Liabilities increased \$3,619, due to an increase in payables and unpaid wages for wages earned but not paid. Total Net Assets increased by \$94,701 due to a decrease in expenses related to stipends and travel expenses, offset some by a reduction in grant monies.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2011, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader whether, for the school as a whole, the financial position of the school has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

The revenue generated by the School is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 67% of revenues for the School in fiscal year 2011. Enrollment during the school year ranged from 54 to 64 students. Projected enrollment for fiscal year 2012 is expected to average 65 students.

(Table 2)
Change in Net Assets

	2011	2010
Operating Revenue:		
Foundation	\$ 513,406	\$ 576,645
Other Operating Revenues	8,425	2,954
Non-Operating Revenue:		
Grants	278,107	318,853
Total Revenues	799,938	898,452
 Operating Expenses:		
Salaries	396,128	382,001
Fringe Benefits	84,469	94,281
Purchased Services	91,009	166,639
Materials and Supplies	24,484	12,545
Insurance	15,075	16,292
Rent	74,575	60,268
Sponsor Fees	16,600	20,360
Depreciation	2,897	49,873
Non-Operating Expenses:		
Loss on Disposal of Capital Assets	0	13,054
Total Expenses	705,237	815,313
Total Change in Net Assets	\$ 94,701	\$ 83,139

The decrease in non-operating revenue can be attributed to a decrease in grants from Ohio Department of Job and Family Services. The decrease in purchased services can be attributed to no payment of stipends and a decrease in professional development and travel for teachers in fiscal year 2011.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Budgeting Highlights

Unlike other public schools located in the State of Ohio, Community High Schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Community High School's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Trustees. The five-year projections are also submitted to the Sponsor and the Ohio Department of Education.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011 the School has \$0 in net capital assets. This represents a decrease from 2011 due to depreciation expense. See Note 4 for more detail on the School's capital assets.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ronald C. Heinlein, CFO, Project REBUILD Community High School, 1731 Grace Avenue, NE., Canton, Ohio 44705-2261.

**Project REBUILD Community High School
Stark County**

**Statement of Net Assets
June 30, 2011**

Assets

Current Assets

Cash and Cash Equivalents	\$ 300,784
Receivables:	
Intergovernmental	30,248
Grants	1,000
Prepaid Expenses	<u>286</u>
 Total Current Assets	 <u>332,318</u>

Noncurrent Assets

Capital Assets:

Depreciable Capital Assets	182,652
Accumulated Depreciation	<u>(182,652)</u>
Capital Assets, Net	<u>0</u>

Total Assets	<u>332,318</u>
---------------------	-----------------------

Liabilities

Current Liabilities

Accounts Payable	11,601
Accrued Wages and Benefits	48,446
Deferred Revenue	<u>5,806</u>

Total Liabilities	65,853
--------------------------	---------------

Net Assets

Unrestricted	<u>266,465</u>
--------------	----------------

Total Net Assets	<u><u>\$ 266,465</u></u>
-------------------------	---------------------------------

See accompanying notes to the basic financial statements.

**Project REBUILD Community High School
Stark County**

**Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011**

Operating Revenues	
Foundation	\$ 513,406
Miscellaneous	8,425
	<hr/>
Total Operating Revenues	521,831
	<hr/>
Operating Expenses	
Salaries	396,128
Fringe Benefits	84,469
Purchased Services	91,009
Materials and Supplies	24,484
Insurance	15,075
Rent	74,575
Sponsor Fee	16,600
Depreciation	2,897
	<hr/>
Total Operating Expenses	705,237
	<hr/>
Operating Loss	(183,406)
Non-Operating Revenues (Expenses)	
Grants	278,107
	<hr/>
Total Non-Operating Revenues	278,107
	<hr/>
Change in Net Assets	94,701
Net Assets Beginning of Year	171,764
	<hr/>
Net Assets End of Year	\$ 266,465
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**Project REBUILD Community High School
Stark County**

**Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From State	\$ 557,655
Other Cash Receipts	8,425
Cash Payments to Employees for Services	(404,229)
Cash Payments for Employee Benefits	(84,469)
Cash Payments for Goods and Services	(106,968)
Other Cash Payments	<u>(106,250)</u>

Net Cash (Used in) Operating Activities (135,836)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants Received 278,107

Net Increase in Cash and Cash Equivalents 142,271

Cash and Cash Equivalents Beginning of Year 158,513

Cash and Cash Equivalents End of Year \$ 300,784

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN
OPERATING ACTIVITIES**

Operating Loss \$ (183,406)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN
OPERATING ACTIVITIES**

Depreciation	2,897
Changes in Assets and Liabilities:	
Intergovernmental Receivable	(1,355)
Grants Receivable	41,604
Prepaid Expenses	805
Accounts Payable	7,720
Accrued Wages	(8,101)
Deferred Revenue	<u>4,000</u>

Net Cash (Used in) Operating Activities \$ (135,836)

See accompanying notes to the basic financial statements.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE ENTITY

Project REBUILD Community High School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. 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. Classified as a drop-out recovery high school by the Ohio Department of Education (ODE), the purpose of the School is to re-engage out-of-school youth to complete a high school diploma while learning marketable skills in the construction trades. The School collaborates with Project REBUILD, Inc's. (PRI), YouthBuild program to advance underserved youth through education, job training, personal development, leadership development, and community service.

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 from July 1, 2004 to June 30, 2009 under a contract by and between the Ohio Council of Community Schools (OCCS), as Sponsor, and the Governing Authority of Project REBUILD Community High School, dated April 7, 2004. The School commenced official operation on July 1, 2004. The Ohio Council of Community Schools has granted a new two year contract, commencing on July 1, 2009 and will expire June 30, 2011. The School was granted a one year contract, expiring on June 30, 2012. The 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 Board oversees the School's principal, treasurer, assistant administrator, vocational education instructor, five certified full-time teaching personnel, and school secretary, who provided services from 54 to 64 students during the school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 District applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its business-type provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance for business-type activities issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School's accounting policies are described below.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, Community High Schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5075, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705, except for section 5705.391 as it relates to five-year forecasts.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash

All cash received by the School is deposited in an account in the School's name. The School did not have any investments during fiscal year 2011.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$1,000 for all assets.

The School does not capitalize interest. The costs 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. Improvements, however, are capitalized. Buildings, vehicles, furniture and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated over the remaining life of the lease, or the useful life of the improvements, whichever is shorter. The following is the estimated useful lives for property, vehicles, furniture and equipment:

<u>Assets</u>	<u>Useful Life</u>
Furniture and Equipment	3 years
Leasehold Improvements	1-20 years

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and State Disadvantaged Pupil Impact Aid Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements, non-exchange transactions in which the School receives value without directly giving equal value in return, 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 first 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. The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenue. Amounts awarded under the above programs for the 2011 school year totaled \$133,490.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Compensated Absences

Leave benefits are not accrued as a liability for the School. All leave is to be used during the contract year with no provisions for carry over from one school year to the next. Vacation leave is scheduled in advance according to the school calendar. Sick leave must be used during the school year, is non-accumulative, and is not paid out at the end of the school year.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

I. 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 enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets at June 30, 2011.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All other revenues and expenses are reported as non-operating.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used. The School had prepaid items at June 30, 2011 of \$286 for bus passes and over payment of state withholding taxes.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

L. Implementation of New Accounting Policies

For the year ended June 30, 2011, the School has considered implementing Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned. GASB Statement No. 54 is not applicable to business-type activities and therefore not implemented.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School.

The implementation of GASB Statement No. 59 did not affect the presentation of the financial statements of the School.

3. CASH

At June 30, 2011, the carrying amount of the School's deposits was \$300,784. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of June 30, 2011 the bank balance was \$302,521, all of which was insured by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2011 or during the fiscal year.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. 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 uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

4. CAPITAL ASSETS

A summary of the School's capital assets is as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 15,431	\$ 0	\$ 0	\$ 15,431
Furniture and Fixtures	167,221	0	0	167,221
	<u>182,652</u>	<u>0</u>	<u>0</u>	<u>182,652</u>
Less Accumulated Depreciation:				
Leasehold Improvements	(14,603)	(828)	0	(15,431)
Furniture and Fixtures	(165,152)	(2,069)	0	(167,221)
	<u>(179,755)</u>	<u>(2,897)</u>	<u>0</u>	<u>(182,652)</u>
Capital Assets, Net	<u>\$ 2,897</u>	<u>\$ (2,897)</u>	<u>\$ 0</u>	<u>\$ 0</u>

5. 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; injuries to employees; and natural disasters. For fiscal year 2011, the School contracted with Philadelphia Insurance Company for property and general liability insurance with limits of \$10,000,000 each occurrence and \$10,000,000 in the aggregate. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

B. Worker's 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. The School had paid all premiums as of June 30, 2011.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to Health Care and Medicare B Fund. The School's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$13,201, \$11,416, and \$13,123, respectively; which equaled the required contributions each year.

B. State Teachers Retirement System

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any other school, community school, college, university, institution or other agency controlled, managed and supported, in whole or part, by the state or any political subdivision thereof. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options - 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

6. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

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.

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2010 (the latest information available), the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions. The School's required \$38,966, \$35,790, and \$43,279, respectively, 100% has been contributed for fiscal year 2011.

7. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

The School District contributes to the cost sharing multiple employer defined benefit Health 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 or by calling (888) 227-7877.

Ohio law authorized 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 portion of the health care cost in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to Health Care Stabilization Fund for the years ended June 30, 2011, 2010 and 2009. For the School, this amount equaled \$4,330 for fiscal year 2011, \$3,977 for fiscal year 2010, and \$3,329 for 2009, respectively.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

7. POST-EMPLOYMENT BENEFITS (continued)

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan.

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2010 was \$96.40 for most participant, but could be as high as \$369.10 per month depending on their monthly income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

7. POST-EMPLOYMENT BENEFITS (continued)

B. School Employees Retirement System

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Resouces.

8. MEDICAL EMPLOYEE BENEFITS

The Project REBUILD Community High School contracted with Aultcare for a group eligible medical policy for full-time employees of the School. All full-time employees are eligible to select coverage under this plan, once they have been employed by the School for thirty days.

Employees pay a portion of the premium as a payroll withholding in a flat amount depending on the type of coverage chosen. The School paid for the remaining employer portion of the premiums for the School employees. There were no dental or vision plans available in fiscal year 2011.

9. PURCHASED SERVICES

For the period July 1, 2010 through June 30, 2011, purchased service expenses were for the following services:

Professional Services	\$ 22,953
Property Services	13,586
Travel and Meetings	12,533
Communications	12,672
Utilities	507
Trade Services	22,869
Pupil Transportation	<u>5,889</u>
Total	<u><u>\$ 91,009</u></u>

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

10. SPONSORSHIP FEES

Under Paragraph D(4) of the sponsor contract with Ohio Council of Community High Schools (OCCS), it States that a School "...shall pay to the Sponsor the amount of three percent (3%) of the total per-pupil. Funds received each year with the following exceptions: planning and start-up funds, and grants the School may receive, in consideration for the time, organization, oversight, fees and costs of the Sponsor pursuant to this contract." Such fees are paid to the OCCS monthly. As indicated on the Statement of Revenues, Expenses and Changes in Net Assets, the School incurred \$16,600 in sponsor fees to OCCS.

11. TAX EXEMPT STATUS

In June 2005, the School completed its application and filed for tax exempt status under 501(c)3 of the Internal Revenue Code. On May 10, 2006, the School received notification of IRS approval for tax exempt status under 501(c)3 effective as of March 11, 2004.

12. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS

The School is a related organization to Project REBUILD, Inc. (PRI), a non-profit organization affiliated with YouthBuild USA. A description of the School's relationship with these entities follows.

The School Board President is a Board Member of PRI. PRI does not impose its will on the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures. Related party transactions with PRI were as follows:

<u>Description of Transaction</u>	<u>Amount</u>
Reimbursements from PRI:	
Contract Service Fee for NCCER Training	\$5,440

13. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. 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, 2011.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

13. CONTINGENCIES (continued)

B. Full Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School every year. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. During fiscal year 2011, the School paid \$6,041 to the State through their foundation revenues for an overpayment from fiscal year 2010. The fiscal year 2011 reviews have not been completed at this time.

C. Litigation

A lawsuit entitled Beverly Blount-Hill, et al. v. State of Ohio, et al., Case#:3:04CV197 was filed in the U.S. District Court, Southern District of Ohio, Western Division, in October, 2004. The suit alleges that the funding provisions of the Ohio Community High Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on Project REBUILD Community High School cannot presently be determined.

14. OPERATING LEASE

Project REBUILD Community High School (the "Lessee") exercised the renewal option for an operating lease with J. R. Coleman Senior Outreach Services, Inc., Canton, Ohio (the "Lessor") for a facility for educational purposes. The lease is for a one year period commencing on July 1, 2010. In addition to the renewal, the lease was amended to include additional space for an added monthly cost of \$1,353 or a total cost of \$6,200 a month. Current year lease expense was \$74,575. The School has the right to renew the lease with 90 days written notice for one additional year at the base rent of \$6,200 per month for twelve months.

15. SUBSEQUENT EVENT

On July 1, 2011, the School exercised its option to extend its operating lease for a one year period.

This page intentionally left blank



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

September 12, 2011

To the Board of Education
Project REBUILD Community High School
1731 Grace Ave. NE
Canton, Ohio 44705

INDEPENDENT AUDITOR'S 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

We have audited the financial statements of the business-type activities of the Project REBUILD Community High School (the "School") as of and for the year ended June 30, 2011, and have issued our report thereon dated September 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, Management, and the School’s Sponsor, and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

Independent Accountants' Report on Applying Agreed-Upon Procedure

Board of Education
Project Rebuild Community High School
1731 Grace Ave. NE
Canton, OH 44705

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Project Rebuild Community School (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School amended its anti-harassment policy at its meeting on July 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Rea & Associates, Inc.

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

PROJECT REBUILD COMMUNITY HIGH SCHOOL

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 29, 2011**