

**Project REBUILD Community High  
School  
Stark County, Ohio**

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Project REBUILD Community High School, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 14, 2013

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**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

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October 10, 2013

Board of Education  
Project REBUILD Community High School  
Stark County, Ohio  
1731 Grace Ave. NE  
Canton, OH 44705

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Project REBUILD Community High School, Stark County, Ohio, (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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 Project REBUILD Community High School, Stark County, Ohio, as of June 30, 2013, and the respective changes in financial position and the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 on our consideration of the School's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Medina, Ohio

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 9th year of existence. Key financial highlights for fiscal year 2013 are as follows:

- Total net position increased \$16,378 in fiscal year 2013.
- Total revenue increased from \$661,190 in fiscal year 2012 to \$680,599 in fiscal year 2013.
- Total expenses decreased from \$716,006 in fiscal year 2012 to \$664,221 in fiscal year 2013.
- Current liabilities decreased \$13,886 and assets increased \$2,492 in fiscal year 2013.
- The School has no long term liabilities as of June 30, 2013.

**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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect "How the School did financially during fiscal year 2013?". 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 position and changes in net position. This change in net position 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, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Statement of Net Position**

Table 1 provides a summary of the School's net position as of June 30, 2013 compared to the prior year.

(Table 1)  
Statement of Net Position

	2013	2012
<b>Assets:</b>		
Current Assets	\$ 251,291	\$ 264,725
Capital Assets, net	15,926	0
Total Assets	267,217	264,725
 <b>Liabilities:</b>		
Current Liabilities	39,190	53,076
 <b>Net Position:</b>		
Net Investment in Capital Assets	15,926	0
Unrestricted	212,101	211,649
	\$ 228,027	\$ 211,649

Current assets decreased in 2013 by \$13,434 due to reduction in grants receivable as the School drew down entire grant amounts prior to year end. Liabilities decreased \$13,886, due to a decrease in accrued wages and benefits due to timing of pay periods. Total Net Position increased by \$16,378 due to a decrease in expenses related to salaries, fringe benefits and rent.

**Statement of Revenues, Expenses and Changes in Net Position**

Table 2 shows the changes in net position for fiscal year 2013, as well as a listing of revenues and expenses. This change in net position 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 86% of revenues for the School in fiscal year 2013. Enrollment during the school year ranged from 65 to 76 students. Projected enrollment for fiscal year 2014 is expected to average 74 students.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

(Table 2)  
Change in Net Position

	2013	2012
<b>Operating Revenue:</b>		
Foundation	\$ 587,906	\$ 572,664
Other Operating Revenues	3,354	5,742
<b>Non-Operating Revenue:</b>		
Grants	89,339	82,784
Total Revenues	680,599	661,190
 <b>Operating Expenses:</b>		
Salaries	400,525	426,146
Fringe Benefits	91,171	95,150
Purchased Services	68,691	69,621
Materials and Supplies	9,432	16,506
Insurance	15,553	15,381
Rent	59,015	74,615
Sponsor Fees	18,761	18,587
Depreciation	1,073	0
Total Expenses	664,221	716,006
Total Change in Net Position	\$ 16,378	\$ (54,816)

The increase in non-operating revenue can be attributed to an increase in grants from Ohio Department of Education. The decrease in salaries can be attributed to an overall decrease in wages due to the elimination of a position, which attributes to the decrease in fringe benefits. The decrease in rent is due to a decrease in the monthly base rent.

**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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2013 the School has \$15,926 in net capital assets. 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, Ohio**

**Statement of Net Position  
June 30, 2013**

**Assets**

Current Assets

Cash and Cash Equivalents	\$ 249,317
Prepaid Expenses	1,974
	<hr/>
Total Current Assets	251,291

Noncurrent Assets

Capital Assets:

Depreciable Capital Assets	199,651
Accumulated Depreciation	(183,725)
	<hr/>
Capital Assets, Net	15,926

<b>Total Assets</b>	<hr/> <b>267,217</b>
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**Liabilities**

Current Liabilities

Accounts Payable	4,147
Accrued Wages and Benefits	35,043
	<hr/>

<b>Total Liabilities</b>	<b>39,190</b>
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**Net Position**

Net Investment in Capital Assets	15,926
Unrestricted	212,101
	<hr/>

<b>Total Net Position</b>	<hr/> <b>\$ 228,027</b> <hr/>
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See accompanying notes to the basic financial statements.

**Project REBUILD Community High School  
Stark County, Ohio**

**Statement of Revenues, Expenses and Changes in Net Position  
For the Fiscal Year Ended June 30, 2013**

<b>Operating Revenues</b>	
Foundation	\$ 587,906
Miscellaneous	3,354
	<hr/>
Total Operating Revenues	591,260
	<hr/>
<b>Operating Expenses</b>	
Salaries	400,525
Fringe Benefits	91,171
Purchased Services	68,691
Materials and Supplies	9,432
Insurance	15,553
Rent	59,015
Sponsor Fee	18,761
Depreciation	1,073
	<hr/>
Total Operating Expenses	664,221
	<hr/>
Operating Loss	(72,961)
<b>Non-Operating Revenues (Expenses)</b>	
Grants	89,339
	<hr/>
Change in Net Position	16,378
Net Position Beginning of Year	211,649
	<hr/>
Net Position End of Year	\$ 228,027
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See accompanying notes to the basic financial statements.

**Project REBUILD Community High School  
Stark County, Ohio**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From State	\$ 587,906
Other Cash Receipts	3,354
Cash Payments to Employees for Services	(415,749)
Cash Payments for Employee Benefits	(91,171)
Cash Payments for Goods and Services	(77,677)
Other Cash Payments	<u>(93,329)</u>
Net Cash (Used in) Operating Activities	<u>(86,666)</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	
Purchase of Furniture and Fixtures	<u>(16,999)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grants Received	<u>104,374</u>
Net Increase in Cash and Cash Equivalents	709
Cash and Cash Equivalents Beginning of Year	<u>248,608</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 249,317</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating Loss	\$ (72,961)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Depreciation	1,073
Changes in Assets and Liabilities:	
Prepaid Expenses	(892)
Accounts Payable	1,338
Accrued Wages	<u>(15,224)</u>
Net Cash (Used in) Operating Activities	<u><u>\$ (86,666)</u></u>

See accompanying notes to the basic financial statements.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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.

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 OCCS has granted a new three year contract, commencing on July 1, 2012 and will expire June 30, 2015. 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 65 to 76 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 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 Position; a Statement of Revenues, Expenses and Changes in Net Position; 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 position, 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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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.

**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 2013.

**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 \$750 for all assets.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Fixtures	5 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 2013 school year totaled \$75,240.

**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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**I. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any liabilities used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School had no restricted net position at June 30, 2013.

**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, 2013, 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, 2013 of \$1,974 for bus passes and gift cards.

**L. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2013, the School has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**3. CASH**

At June 30, 2013, the carrying amount of the School's deposits was \$249,317. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of June 30, 2013 the bank balance was \$250,500, all of which was insured by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2013 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.

**4. CAPITAL ASSETS**

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

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 15,431	\$ 0	\$ 0	\$ 15,431
Furniture and Fixtures	167,221	16,999	0	184,220
	<u>182,652</u>	<u>16,999</u>	<u>0</u>	<u>199,651</u>
Less Accumulated Depreciation:				
Leasehold Improvements	(15,431)	0	0	(15,431)
Furniture and Fixtures	(167,221)	(1,073)	0	(168,294)
	<u>(182,652)</u>	<u>(1,073)</u>	<u>0</u>	<u>(183,725)</u>
Capital Assets, Net	<u>\$ 0</u>	<u>\$ 15,926</u>	<u>\$ 0</u>	<u>\$ 15,926</u>

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 2013, 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, 2013.

**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 obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://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 at an actuarially determined rate. The current rate is 14% 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 2013, 13.05% and .05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10% for plan members and 14% 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$16,936, \$12,559, and \$11,136, respectively; which equaled the required contributions each year.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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'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% 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.

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, 2013, 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. 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. 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, 2013, 2012 and 2011 were \$37,143, \$40,772, and \$38,966, respectively, 100% has been contributed for all fiscal years.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**7. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

*Plan Description* – The School participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 plan 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 Ohio Revised Code Section 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. 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 SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

*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% 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 2013, .16% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**B. State Teachers Retirement System**

*Plan Description* - The School 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. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

*Funding Policy* - 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 monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,857, \$4,530, and \$4,330, respectively; 100% has been contributed for all fiscal years.

**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 15% 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. In fiscal year 2012, the School added a dental plan benefit for full-time employees. Employees pay the full premium as a payroll withholding. There was no vision plan available in fiscal year 2013.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**9. PURCHASED SERVICES**

For the period July 1, 2012 through June 30, 2013, purchased service expenses were for the following services:

Professional Services	\$ 22,229
Property Services	6,083
Travel and Meetings	8,009
Communications	23,922
Utilities	525
Trade Services	4,171
Pupil Transportation	3,752
Total	<u>\$ 68,691</u>

**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 Position, the School incurred \$18,761 in fees to OCCS. Of this total \$17,706 represented sponsorship fees, while \$1,055 represents miscellaneous fees.

**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. 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, 2013.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 few 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. The conclusion of this review could result in state funding being adjusted. The School does not anticipate any significant adjustments to State funding for fiscal year 2013, as a result of the reviews which have yet to be completed.

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.

**13. OPERATING LEASE**

Project REBUILD Community High School (the “Lessee”) has 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 three year period commencing on July 1, 2012 and ending June 30, 2015, at the base rent of \$4,900 per month; with the right to renew for one additional year at the base rent of \$5,200 per month. Current year lease payments were \$59,015. The future minimum payments for this lease are as follows:

Fiscal Year ending June 30, 2014	\$ 58,800
Fiscal Year ending June 30, 2015	<u>58,800</u>
	<u><u>\$ 117,600</u></u>

October 10, 2013

Board of Education  
Project REBUILD Community High School  
Stark County, Ohio  
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, in accordance with the 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, the financial statements of the business-type activities, of Project REBUILD Community High School, Stark County, Ohio (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 10, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

Medina, Ohio

October 10, 2013

To the Board of Education and Management  
Project REBUILD Community High School  
Stark County, Ohio  
1731 Grace Ave. NE  
Canton, OH 44705

### **Independent Accountant's Report on Applying Agreed-Upon Procedure**

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 Project REBUILD Community High School, Stark County, Ohio (the District) 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 Board amended its anti-harassment policy at its meeting on July 15, 2010, to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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.*

Medina, Ohio

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# 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 26, 2013