

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**



Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Project REBUILD Community High School, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Project REBUILD Community High School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 5, 2011

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**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 5, 2010

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 Project REBUILD Community High School (the "School"), as of and for the year ended June 30, 2010 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, 2010, 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 December 5, 2010 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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, 2010**

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, 2010. 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 6th year of existence. Key financial highlights for fiscal year 2010 are as follows:

- Total net assets increased \$83,139 in fiscal year 2010.
- Total revenue increased from \$879,360 in fiscal year 2009 to \$898,452 in fiscal year 2010.
- Total expenses decreased from \$967,729 in fiscal year 2009 to \$815,313 in fiscal year 2010.
- Current liabilities decreased \$29,392 with assets increasing \$53,748 in fiscal year 2010.
- The School has no long term liabilities as of June 30, 2010.

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 2010?". 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, 2010**

Statement of Net Assets

The Statement of Net Assets answers the question of how the School did financially during 2010. 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, 2010 compared to the prior year.

(Table 1)
Statement of Net Assets

	2010	Restated 2009
Assets:		
Current Assets	\$ 231,101	\$ 129,857
Capital Assets, Net	2,897	50,393
Total Assets	233,998	180,250
 Liabilities:		
Current Liabilities	62,234	91,625
 Net Assets:		
Invested in Capital Assets	2,897	50,393
Unrestricted	168,867	38,232
	\$ 171,764	\$ 88,625

Current assets increased in 2010. Capital assets, net, decreased as a result of depreciation expense and disposals exceeding capital asset additions. Liabilities decreased \$29,392, due to payment of line of credit during the year, and total Net Assets increased by \$83,139 due to a decrease in expenses related to ODJFS, consultants, stipends and professional development.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2010, 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 64% of revenues for the School in fiscal year 2010. Enrollment during the school year ranged from 58 to 69 students. Projected enrollment for fiscal year 2011 is expected to average 65 students.

(Table 2)
Change in Net Assets

	2010	Restated 2009
Operating Revenues:		
Foundation	\$ 576,645	\$ 513,621
Other Operating Revenues	2,954	6,109
Non-Operating Revenues:		
Grants	318,853	359,630
Total Revenues	898,452	879,360
Operating Expenses:		
Salaries	382,001	477,641
Fringe Benefits	94,281	122,728
Purchased Services	166,639	209,822
Materials and Supplies	12,545	35,053
Insurance	16,292	16,428
Rent	60,268	43,054
Sponsor Fees	20,360	18,069
Depreciation	49,873	44,934
Non-Operating Expenses:		
Loss on Disposal of Capital Assets	13,054	0
Total Expenses	815,313	967,729
Total Change in Net Assets	\$ 83,139	\$ (88,369)

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010 the School has \$2,897 in net capital assets. This represents a decrease from 2009 due to depreciation exceeding capital assets additions. See Note 4 for more detail on the School's capital assets.

Debt

At June 30, 2010, the School had no long term debt. The School has a line of credit, the balance was \$0 at June 30, 2010. See Note 15 for more detail on the School's line of credit.

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, 2010**

Assets

Current Assets

Cash and Cash Equivalents	\$ 158,513
Receivables:	
Intergovernmental	28,893
Grants	42,604
Prepaid Expenses	<u>1,091</u>
 Total Current Assets	 231,101

Noncurrent Assets

Capital Assets:

Depreciable Capital Assets, Net	<u>2,897</u>
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Total Assets	<u>233,998</u>
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Liabilities

Current Liabilities

Accounts Payable	3,881
Accrued Wages and Benefits	56,547
Deferred Revenue	<u>1,806</u>

Total Liabilities	62,234
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Net Assets

Invested in Capital Assets	2,897
Unrestricted	<u>168,867</u>

Total Net Assets	<u><u>\$ 171,764</u></u>
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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, 2010**

Operating Revenues	
Foundation	\$ 576,645
Miscellaneous	<u>2,954</u>
Total Operating Revenues	<u>579,599</u>
Operating Expenses	
Salaries	382,001
Fringe Benefits	94,281
Purchased Services	166,639
Materials and Supplies	12,545
Insurance	16,292
Rent	60,268
Sponsor Fee	20,360
Depreciation	<u>49,873</u>
Total Operating Expenses	<u>802,259</u>
Operating Loss	(222,660)
Non-Operating Revenues (Expenses)	
Grants	318,853
Gain/Loss on Disposal of Capital Assets	<u>(13,054)</u>
Total Non-Operating Revenues	<u>305,799</u>
Change in Net Assets	83,139
Net Assets Beginning of Year (Restated - See Note 16)	<u>88,625</u>
Net Assets End of Year	<u><u>\$ 171,764</u></u>

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, 2010**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From State	\$ 574,912
Other Cash Receipts	2,954
Cash Payments to Employees for Services	(391,079)
Cash Payments for Employee Benefits	(94,281)
Cash Payments for Goods and Services	(177,394)
Other Cash Payments	<u>(96,920)</u>
Net Cash (Used in) Operating Activities	<u>(181,808)</u>

CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES

Purchase of Equipment	<u>(15,431)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Cash Payments on Line of Credit	<u>(25,000)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants Received	<u>318,853</u>
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Net Increase in Cash and Cash Equivalents	96,614
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Cash and Cash Equivalents Beginning of Year	<u>61,899</u>
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Cash and Cash Equivalents End of Year	<u><u>\$ 158,513</u></u>
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**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN
OPERATING ACTIVITIES**

Operating Loss	\$ (222,660)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN
OPERATING ACTIVITIES**

Depreciation	49,873
Changes in Assets and Liabilities:	
Intergovernmental Receivable	7,569
Accounts Receivable	5,429
Grants Receivable	(16,537)
Prepaid Expenses	(1,091)
Accounts Payable	2,881
Accrued Wages	(9,078)
Deferred Revenue	<u>1,806</u>

Net Cash (Used in) Operating Activities	<u><u>\$ (181,808)</u></u>
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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, 2010**

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 five member 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, program coordinator, five certified full-time teaching personnel, and school secretary, who provided services from 58 to 69 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 governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance for business-type activities and enterprise funds 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.

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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2010.

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 possess any infrastructure.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation (continued)

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	3-10 years
Leasehold Improvements	1-40 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 2010 school year totaled \$318,853.

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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010.

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, 2010, 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, 2010 of \$1,091 for bus passes and insurance.

3. CASH

At June 30, 2010, the carrying amount of the School's deposits was \$158,513. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of June 30, 2010 the bank balance was \$166,004, all of which was insured by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2010 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, 2010**

4. CAPITAL ASSETS

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

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 0	\$ 15,431	\$ 0	\$ 15,431
Furniture and Fixtures	224,670	0	57,449	167,221
	<u>224,670</u>	<u>15,431</u>	<u>57,449</u>	<u>182,652</u>
Less Accumulated Depreciation:				
Leasehold Improvements	0	(14,603)	0	(14,603)
Furniture and Fixtures	(174,277)	(35,270)	(44,395)	(165,152)
	<u>(174,277)</u>	<u>(49,873)</u>	<u>(44,395)</u>	<u>(179,755)</u>
Capital Assets, Net	<u>\$ 50,393</u>	<u>\$ (34,442)</u>	<u>\$ 13,054</u>	<u>\$ 2,897</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 2010, 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, 2010.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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 under *Employers/Audit Resources*.

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, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to Health Care and Medicare B Fund. The School’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$11,416, \$13,123, and \$3,612 respectively; 100% has been contributed for fiscal year 2010.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. 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 includes financial statements and required supplementary information. That report 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.

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 divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. 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,

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

6. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

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. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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, 2010, 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 2009 (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 contributions for pension obligations for the fiscal years ended June 30, 2010, 2009 and 2008 was \$35,790, \$43,279, and \$36,012 respectively, 100% has been contributed for fiscal year 2010.

7. POST-EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio ("STRS Ohio"), and to retired non-certified employees and their dependents through the School Employees Retirement System ("SERS"). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. For the School, this amount equaled \$3,977 for fiscal year 2010, \$3,329 and \$2,158 for 2009 and 2008, respectively.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

7. POST-EMPLOYMENT BENEFITS (continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009 (the latest information available), the balance in the Fund was \$2.7 billion. For the fiscal year ended June 30, 2009 (the latest information available), net healthcare costs paid by STRS Ohio were \$298,110,000 and STRS Ohio had 129,659 eligible benefit recipients.

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. 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 premium for calendar year 2010 was \$96.40; 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 2010, the actuarially required allocation was .76%.

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 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 401(h). 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, 2010, the health care allocation was .46%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the 2010 fiscal year, the School paid \$1,090 to fund health care benefits.

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 2010, 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, 2010**

7. POST-EMPLOYMENT BENEFITS (continued)

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 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 under Forms and Publications.

8. MEDICAL AND DENTAL EMPLOYEE BENEFITS

The Project REBUILD, Inc. (PRI) contracted with Hometown Network for a group eligible medical policy including 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 2010.

9. PURCHASED SERVICES

For the period July 1, 2009 through June 30, 2010, purchased service expenses were for the following services:

Professional Services	\$ 72,927
Property Services	17,872
Travel and Meetings	24,048
Communications	13,949
Utilities	1,935
Trade Services	27,797
Pupil Transportation	8,111
Total	<u>\$ 166,639</u>

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

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 \$20,441 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. (REBUILD), 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 REBUILD. The CFO and the development director split time between the School and REBUILD. REBUILD 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 REBUILD were as follows:

<u>Description of Transaction</u>	<u>Amount</u>
Disbursements to PR:	
Ohio Department of Jobs and Family Services Student Training Stipends	\$52,003
Facility Rental Vocational Education Classroom	\$ 180

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, 2010.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL
STARK COUNTY**

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

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 few years. 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 conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during 2010 are immaterial and are not reflected in the financial statements but will be included in the financial activity for fiscal year 2011.

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") has entered into an operating lease, for a one-year period commencing on July 1, 2009. The lease is with J. R. Coleman Senior Outreach Services, Inc., Canton, Ohio (the "Lessor") for a facility for educational purposes. Current year lease payments were \$56,518. The School has the right to renew the lease with 90 days written notice for one additional year at the base rent of \$4,665 per month for twelve months.

15. LINE OF CREDIT

The School has an available line of credit totaling \$70,000, of which \$0 was outstanding at June 30, 2010. The line of credit carries a 4.5% interest rate.

16. RESTATEMENT OF NET ASSETS

During the year, an error by the State was detected, causing the fiscal year 2009 intergovernmental receivables to be overstated, thus misstating the beginning net asset balance. The beginning net asset balance of \$161,163 was restated by \$72,538 to \$88,625.

17. SUBSEQUENT EVENT

On July 1, 2010, the School exercised its option to extend its operating lease for a one year period. Lessee also amended the lease to expand the space at monthly rental of \$6,200 for the remaining term of the lease.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

December 5, 2010

To the Board of Education
Project REBUILD Community High School
1731 Grace Ave. NE
Canton, OH 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 Project REBUILD Community High School (the "School") as of and for the year ended June 30, 2010, and have issued our report thereon dated December 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School's financial statements will not be prevented or detected 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did not identify any deficiencies in internal control over financial reporting that we considered 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.



December 5, 2010

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

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

1. We noted the Board did adopt an anti-harassment policy according to O.R.C. 3313.666 at its meeting on June 16, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;

- (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended

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 of Education, management and the School's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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Mary Taylor, CPA
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
JANUARY 18, 2011**