

Project REBUILD Community High School  
Stark County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2012





# 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 Auditor's Report* of the Project REBUILD Community High School, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

January 16, 2013



**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

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October 12, 2012

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 Project REBUILD Community High School (the "School"), as of and for the year ended June 30, 2012, 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 School, as of June 30, 2012, and the respective changes in financial position and the cash flows 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 October 12, 2012 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.

Project REBUILD Community High School  
Independent Auditor's Report

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.

*Rea & Associates, Inc.*



**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 8th year of existence. Key financial highlights for fiscal year 2012 are as follows:

- Total net assets decreased \$54,816 in fiscal year 2012.
- Total revenue decreased from \$799,938 in fiscal year 2011 to \$661,190 in fiscal year 2012.
- Total expenses increased from \$705,237 in fiscal year 2011 to \$716,006 in fiscal year 2012.
- Current liabilities decreased \$12,777 and assets decreased \$67,593 in fiscal year 2012.
- The School has no long term liabilities as of June 30, 2012.

**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 2012?". 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, 2012**

**Statement of Net Assets**

The Statement of Net Assets answers the question of how the School did financially during 2012. 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, 2012 compared to the prior year.

(Table 1)  
Statement of Net Assets

	2012	2011
<b>Assets:</b>		
Current Assets	\$ 264,725	\$ 332,318
Total Assets	264,725	332,318
 <b>Liabilities:</b>		
Current Liabilities	53,076	65,853
 <b>Net Assets:</b>		
Unrestricted	211,649	266,465
	\$ 211,649	\$ 266,465

Current assets decreased in 2012 by \$67,593 due to reduction in grants receivable and cash used to cover increases in salaries. Liabilities decreased \$12,777, due to a decrease in payables. Total Net Assets decreased by \$54,816 due to an increase in expenses related to salaries and fringe benefits, and by a reduction in grant awards.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Table 2 shows the changes in net assets for fiscal year 2012, 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 87% of revenues for the School in fiscal year 2012. Enrollment during the school year ranged from 60 to 75 students. Projected enrollment for fiscal year 2013 is expected to average 72 students.

(Table 2)  
Change in Net Assets

	2012	2011
<b>Operating Revenue:</b>		
Foundation	\$ 572,664	\$ 513,406
Other Operating Revenues	5,742	8,425
<b>Non-Operating Revenue:</b>		
Grants	82,784	278,107
Total Revenues	661,190	799,938
 <b>Operating Expenses:</b>		
Salaries	426,146	396,128
Fringe Benefits	95,150	84,469
Purchased Services	69,621	91,009
Materials and Supplies	16,506	24,484
Insurance	15,381	15,075
Rent	74,615	74,575
Sponsor Fees	18,587	16,600
Depreciation	0	2,897
Total Expenses	716,006	705,237
Total Change in Net Assets	\$ (54,816)	\$ 94,701

The decrease in non-operating revenue can be attributed to a decrease in grants from Ohio Department of Education. The increase in salaries can be attributed to an overall increase in wages, which attributes to the increase in fringe benefits. The decrease in purchased services is due to a decrease in repairs and maintenance, and in contract labor.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 2012 the School has \$0 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**

**Statement of Net Assets  
June 30, 2012**

**Assets**

Current Assets

Cash and Cash Equivalents	\$ 248,608
Receivables:	
Intergovernmental	13,683
Grants	1,352
Prepaid Expenses	<u>1,082</u>
 Total Current Assets	 <u>264,725</u>

Noncurrent Assets

Capital Assets:

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

**Total Assets** 264,725

**Liabilities**

Current Liabilities

Accounts Payable	2,809
Accrued Wages and Benefits	<u>50,267</u>

**Total Liabilities** 53,076

**Net Assets**

Unrestricted 211,649

**Total Net Assets** \$ 211,649

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, 2012**

<b>Operating Revenues</b>	
Foundation	\$ 572,664
Miscellaneous	<u>5,742</u>
Total Operating Revenues	<u>578,406</u>
<b>Operating Expenses</b>	
Salaries	426,146
Fringe Benefits	95,150
Purchased Services	69,621
Materials and Supplies	16,506
Insurance	15,381
Rent	74,615
Sponsor Fee	<u>18,587</u>
Total Operating Expenses	<u>716,006</u>
Operating Loss	(137,600)
<b>Non-Operating Revenues (Expenses)</b>	
Grants	<u>82,784</u>
Change in Net Assets	(54,816)
Net Assets Beginning of Year	<u>266,465</u>
Net Assets End of Year	<u><u>\$ 211,649</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, 2012**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From State	\$ 572,664
Other Cash Receipts	5,742
Cash Payments to Employees for Services	(424,325)
Cash Payments for Employee Benefits	(95,150)
Cash Payments for Goods and Services	(95,715)
Other Cash Payments	<u>(108,583)</u>
Net Cash (Used in) Operating Activities	<u>(145,367)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Grants Received	<u>93,191</u>
Net Decrease in Cash and Cash Equivalents	(52,176)
Cash and Cash Equivalents Beginning of Year	<u>300,784</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 248,608</u></u>

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

Operating Loss	\$ (137,600)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN  
OPERATING ACTIVITIES**

Changes in Assets and Liabilities:	
Prepaid Expenses	(796)
Accounts Payable	(8,792)
Accrued Wages	<u>1,821</u>
Net Cash (Used in) Operating Activities	<u><u>\$ (145,367)</u></u>

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, 2012**

**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 had granted a new two year contract, commencing on July 1, 2009 which expired June 30, 2011. The School was granted a one year contract which expired on June 30, 2012. 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 60 to 75 students during the school year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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



**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows. The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. Measurement Focus/Basis of Accounting**

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

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

**C. Budgetary Process**

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

**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 2012.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**E. Capital Assets and Depreciation**

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

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

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

**F. Intergovernmental Revenues**

The School currently participates in the State Foundation Program and State Disadvantaged Pupil Impact Aid Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Grants and entitlements, non-exchange transactions in which the School receives value without directly giving equal value in return, are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenue. Amounts awarded under the above programs for the 2012 school year totaled \$66,345.

**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, 2012**

**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, 2012.

**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, 2012, 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, 2012 of \$1,082 for bus passes and gift cards.

**3. CASH**

At June 30, 2012, the carrying amount of the School's deposits was \$248,608. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of June 30, 2012 the bank balance was \$251,125, all of which was insured by the Federal Deposit Insurance Corporation (FDIC). The School had no investments at June 30, 2012 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, 2012**

**4. CAPITAL ASSETS**

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

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital Assets Being Depreciated:				
Leasehold Improvements	\$ 15,431	\$ 0	\$ 0	\$ 15,431
Furniture and Fixtures	167,221	0	0	167,221
	<u>182,652</u>	<u>0</u>	<u>0</u>	<u>182,652</u>
Less Accumulated Depreciation:				
Leasehold Improvements	(15,431)	0	0	(15,431)
Furniture and Fixtures	(167,221)	0	0	(167,221)
	<u>(182,652)</u>	<u>0</u>	<u>0</u>	<u>(182,652)</u>
Capital Assets, Net	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**5. RISK MANAGEMENT**

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2012, 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, 2012.

**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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**6. DEFINED BENEFIT PENSION PLANS (continued)**

*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 2012, 12.65% 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, 2012, 2011, and 2010 were \$12,559, \$11,136, and \$11,416, respectively; which equaled the required contributions each year.

**B. State Teachers Retirement System**

*Plan Description* - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS 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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**6. DEFINED BENEFIT PENSION PLANS (continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2012, 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, 2012, 2011 and 2010 were \$40,772, \$38,966, and \$35,790, respectively, 100% has been contributed for fiscal year 2012.

**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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**7. POST-EMPLOYMENT BENEFITS (continued)**

*Funding Policy* - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% 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 2012, .55% 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 2012, the actuarially determined amount was \$35,800.

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.

**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 2012, 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, 2012, 2011 and 2010 were \$4,530, \$4,330, and \$3,977, respectively.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**8. MEDICAL EMPLOYEE BENEFITS**

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

Employees pay a portion of the premium as a payroll withholding in a flat amount depending on the type of coverage chosen. The School paid for the remaining employer portion of the premiums for the School employees. For 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 2012.

**9. PURCHASED SERVICES**

For the period July 1, 2011 through June 30, 2012, purchased service expenses were for the following services:

Professional Services	\$ 21,159
Property Services	5,743
Travel and Meetings	11,129
Communications	21,979
Utilities	507
Trade Services	3,765
Pupil Transportation	5,339
Total	<u>\$ 69,621</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 Assets, the School incurred \$18,587 in fees to OCCS. Of this total \$17,179 represented sponsorship fees, while \$1,408 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.



**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**12. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS**

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

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

<u>Description of Transaction</u>	<u>Amount</u>
Reimbursement from PRI:	
Fee for grant writing	\$ 416

**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, 2012.

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. Adjustments to the state funding received during 2012 are immaterial and are not reflected in the financial statements, but will be included in the financial activity for fiscal year 2013.

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.

**PROJECT REBUILD COMMUNITY HIGH SCHOOL  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**13. CONTINGENCIES (continued)**

D. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**14. OPERATING LEASE**

Project REBUILD Community High School (the “Lessee”) exercised the renewal option for an operating lease with J. R. Coleman Senior Outreach Services, Inc., Canton, Ohio (the “Lessor”) for a facility for educational purposes. The lease is for a one year period commencing on July 1, 2011 at a cost of \$6,200 per month. Current year lease payments were \$74,615.

**15. SUBSEQUENT EVENT**

For fiscal year 2013, the School has negotiated a lease for a term of three years commencing July 1, 2012 and ending on June 30, 2015. Base rent for the lease is \$4,900 per month. The School has a right to renew the lease for one additional year at the base rent of \$5,200 per month.

October 12, 2012

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the Project Rebuild Community High School (the "School"), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. 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**

Management of the School is responsible for establishing and maintaining effective 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Project REBUILD Community High School  
Internal Control – Compliance Report

**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.

*Rea & Associates, Inc.*



# 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  
JANUARY 29, 2013**