



Dave Yost • Auditor of State



**STAMBAUGH CHARTER ACADEMY  
MAHONING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Statement of Net Position .....	9
Statement of Revenues, Expenses and Changes in Net Position.....	10
Statement of Cash Flows .....	11
Notes to the Basic Financial Statements .....	12
Schedule of Federal Awards Receipts and Expenditures.....	25
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance Required By OMB Circular A-133 .....	29
Schedule of Findings.....	31
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	33

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Stambaugh Charter Academy  
Mahoning County  
2420 Donald Avenue  
Youngstown, Ohio 44509

To the Board of Directors:

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

We have audited the accompanying financial statements of the Stambaugh Charter Academy, Mahoning County, Ohio (the "Academy"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Stambaugh Charter Academy, Mahoning County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, during the year ended June 30, 2013, the Academy adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the Academy'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2014

**This page intentionally left blank.**



# STAMBAUGH CHARTER ACADEMY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2013 (UNAUDITED)

---

The discussion and analysis of Stambaugh Charter Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities through June 30, 2013. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. It should be read in conjunction with the financial statements and notes to the financial statements, which immediately follow this section, to enhance understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Financial Statements — and Management's Discussion and Analysis — for State and Local Government*, issued June, 1999.

### Financial Highlights

For the fiscal year ended June 30, 2013, total assets were \$444,229, total liabilities were \$306,199, and total net position were \$138,030.

### Using this Financial Report

This report consists of the MD&A, the financial statements, and notes to those statements. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

### Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net position — the difference between assets and liabilities, as reported in the statement of net position — as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position — as reported in the statement of net position — are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

## STAMBAUGH CHARTER ACADEMY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) AS OF AND FOR THE YEAR ENDED JUNE 30, 2013 (UNAUDITED)

---

The statement of net position and the statement of revenues, expenses, and changes in net position report the activities for the Academy, which encompass all the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the "Agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the Agreement, NHA also provides the facility in which the Academy operates. Under the terms of the Agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

The table below provides a summary of the Academy's net position for fiscal years ended June 30:

	<b>2013</b>	<b>2012</b>
Assets:		
Current assets	\$ 431,209	\$ 451,251
Capital assets, net of accumulated depreciation	<u>13,020</u>	<u>20,374</u>
Total assets	444,229	471,625
Liabilities—current	<u>306,199</u>	<u>340,082</u>
Net position:		
Net investment in capital assets	13,020	20,374
Restricted - School Service Fund	17,599	-
Unrestricted	<u>107,411</u>	<u>111,169</u>
Total position	<u>\$ 138,030</u>	<u>\$ 131,543</u>

The unrestricted net position represent the accumulated results of the Academy's operations to date. These assets can be used to finance day-to day-operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the statement of revenues, expenses, and changes in net position, which shows the change in net position.

# STAMBAUGH CHARTER ACADEMY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) AS OF AND FOR THE YEAR ENDED JUNE 30, 2013 (UNAUDITED)

---

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

The table below shows the changes in net position as well as a listing of revenues and expenses for the fiscal years ending June 30:

	2013	2012
Operating revenues:		
Foundation payments	\$ 3,496,977	\$3,130,238
Food services	1,270	2,015
Other revenues	<u>16,024</u>	<u>10,726</u>
Total operating revenues	<u>3,514,271</u>	<u>3,142,979</u>
Operating expenses:		
Depreciation	7,354	7,303
Contracted service fee	<u>5,497,108</u>	<u>5,017,160</u>
Total operating expenses	<u>5,504,462</u>	<u>5,024,463</u>
Operating loss	<u>(1,990,191)</u>	<u>(1,881,484)</u>
Nonoperating revenues:		
Federal grants	977,589	933,270
State grants	15,633	6,132
Private sources—NHA	<u>1,003,456</u>	<u>997,579</u>
Total nonoperating revenues	<u>1,996,678</u>	<u>1,936,981</u>
Change in net position	<u>\$ 6,487</u>	<u>\$ 55,497</u>

As reported in the statement of revenues, expenses, and changes in net position, the cost of business activities was \$5,504,462. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. *Revenues — Private sources — NHA* represent a contribution granted by NHA for the excess of Academy expenses over public revenues available.

The Academy experienced an increase in net position of \$6,487 in 2013. Under the terms of the Agreement, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

# **STAMBAUGH CHARTER ACADEMY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) AS OF AND FOR THE YEAR ENDED JUNE 30, 2013 (UNAUDITED)**

---

### **Capital Assets**

At June 30, 2013, the Academy had a \$13,020 net investment in capital assets from board discretionary funds, primarily equipment. Capital assets are substantially provided as part of the agreement with NHA.

### **General Economic Factors**

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the Academy in 2013. The Academy also received a contribution from NHA as a result of excess Academy expenses over public revenues available.

### **Contacting the Academy's Financial Management**

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

# STAMBAUGH CHARTER ACADEMY

## STATEMENT OF NET POSITION JUNE 30, 2013

---

CURRENT ASSETS:	
Cash	\$ 107,414
Intergovernmental receivable	<u>323,795</u>
Total current assets	<u>431,209</u>
NON-CURRENT ASSETS:	
Capital assets	135,045
Less accumulated depreciation	<u>(122,025)</u>
Total non-current assets	<u>13,020</u>
Total assets	<u>444,229</u>
LIABILITIES:	
Contracted service fee payable	<u>306,199</u>
Total liabilities	<u>306,199</u>
NET POSITION:	
Net investment in capital assets	13,020
Restricted - School Service Fund	17,599
Unrestricted	<u>107,411</u>
TOTAL NET POSITION	<u>\$ 138,030</u>

See notes to financial statements.

# STAMBAUGH CHARTER ACADEMY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2013

---

OPERATING REVENUES:	
Foundation payments	\$ 3,496,977
Food services	1,270
Other revenues	<u>16,024</u>
Total operating revenues	<u>3,514,271</u>
OPERATING EXPENSES:	
Depreciation	7,354
Contracted service fee	<u>5,497,108</u>
Total operating expenses	<u>5,504,462</u>
OPERATING LOSS	<u>(1,990,191)</u>
NONOPERATING REVENUES:	
Federal grants	977,589
State grants	15,633
Private sources — NHA	<u>1,003,456</u>
Total nonoperating revenue	<u>1,996,678</u>
CHANGE IN NET POSITION	6,487
NET POSITION — Beginning of year	<u>131,543</u>
NET POSITION — End of year	<u>\$ 138,030</u>

See notes to financial statements.

# STAMBAUGH CHARTER ACADEMY

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

---

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from State of Ohio	\$ 3,499,814
Cash received from food services	1,228
Cash received from other operating revenue	16,024
Cash paid on behalf of the Academy for goods and services	<u>(4,598,867)</u>

Net cash used in operating activities (1,081,801)

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal grants received	1,070,742
State grants received	<u>16,333</u>

Net cash provided by noncapital financing activities 1,087,075

NET INCREASE IN CASH 5,274

CASH — Beginning of year 102,140

CASH — End of year \$ 107,414

### RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:

Operating loss	\$ (1,990,191)
Support from private sources — NHA	1,003,456
Depreciation	7,354
Changes in assets and liabilities:	
Change in intergovernmental receivables affecting operating revenue	2,837
Change in unearned revenue	(42)
Change in contracted service fee payable	<u>(105,215)</u>

NET CASH USED FOR OPERATING ACTIVITIES \$ (1,081,801)

### NON-CASH ACTIVITY:

Support from private sources — NHA	<u>\$ 1,003,456</u>
------------------------------------	---------------------

See notes to financial statements.

**This page intentionally left blank.**



# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

---

### 1. NATURE OF OPERATIONS

Stambaugh Charter Academy (the “Academy”) is an Ohio Public School Academy, which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy operates an approved charter received from Buckeye Community Hope Foundation (“Buckeye” or the “Sponsor”), which is responsible for oversight of the Academy’s operations. The charter’s term expires on June 30, 2015 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The Academy provides education to students in kindergarten through the eighth grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy was established and is operated as a nonprofit corporation under Chapter 1702 of the Ohio Revised Code and believes itself to be exempt from taxation under Internal Revenue Code Section 115(1) because its income is derived from the exercise of an essential governmental function and accrues to the State of Ohio (the “State”). Donations to the Academy qualify as a charitable deduction under Internal Revenue Code Section 170(c)(1).

The Academy operates under the direction of a board of directors (the “Board”). The Board is responsible for carrying out the provisions of the contract with the Sponsor that 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 of Directors of the Academy has entered into a services agreement (the “agreement”) with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, up to a maximum of five years, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. *Revenues — Private sources — NHA* represent a contribution granted by NHA for the excess of Academy expenditures over public revenues available.

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more-significant of the Academy's accounting policies are described below.

#### A. Basis of Presentation

The Academy's financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

#### B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise's activities.

#### C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

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

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses are recognized at the time they are incurred.

#### D. Budgetary Process

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

#### E. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### F. Cash Deposits

For cash management, all cash received by the Academy is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "Cash" on the accompanying statement of net position. Cash as of June 30, 2013, represents bank deposits, which are covered by federal depository insurance.

#### G. Capital Assets and Depreciation

Capital assets, which include equipment, are reported in the financial statements at historical cost. Capital assets are defined by the Academy as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Equipment is depreciated using the straight-line method over useful lives of 3–10 years.

#### H. Current Liabilities

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2013, represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Operating Revenues and Expenses

*Intergovernmental Revenues* — The Academy currently participates in the State Foundation Program, the State Intervention Services Program, and the State Special Education 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 are recognized as nonoperating revenue in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a deferred outflows/inflows of resources reimbursement basis.

#### J. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At fiscal year-end June 30, 2013, the Academy had \$17,581 in restricted net position related to the School Service Fund. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### 3. DEPOSITS

At fiscal year-end June 30, 2013, the Academy's bank balance was \$107,677. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of June 30, 2013, none of the bank balance was exposed to custodial risk as discussed below and all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. 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 the Federal Reserve Bank 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 public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

### 4. RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables at June 30, 2013, is as follows:

	<b>Amounts</b>
Due from State	\$ 3,439
Title I	208,777
Title I School Improvement	8,468
Title IIA	9,260
IDEA Part B	50,365
Race to the Top ARRA	37,058
National School Lunch and Breakfast	<u>6,428</u>
Total intergovernmental receivables	<u>\$ 323,795</u>

### 5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities at June 30, 2013, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Business-type activities — equipment	<u>\$ 135,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,045</u>
Total capital assets at historical cost	<u>135,045</u>	<u>-</u>	<u>-</u>	<u>135,045</u>
Less accumulated depreciation — equipment	<u>(114,671)</u>	<u>(7,354)</u>	<u>-</u>	<u>(122,025)</u>
Total accumulated depreciation	<u>(114,671)</u>	<u>(7,354)</u>	<u>-</u>	<u>(122,025)</u>
Total business-type activities capital assets — net	<u>\$ 20,374</u>	<u>\$ (7,354)</u>	<u>\$ -</u>	<u>\$ 13,020</u>

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 6. PENSION PLANS

#### A. School Employees Retirement System

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

*Funding Policy* — Plan members were required to contribute 10% of their annual covered salary and NHA is required to contribute at an actuarially determined rate. NHA’s current rate is 14% of annual covered payroll. A portion of NHA contributions are used to fund pension obligations with the remainder being used to fund health care benefits. For the fiscal year ending June 30, 2013, 13.05% and 0.05% 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 a 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.

NHA’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$27,260, \$22,430, and \$22,156, respectively; and 100% was contributed for each fiscal year.

#### B. State Teachers Retirement System

*Plan Description* — NHA, on behalf of teachers at the Academy, 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 includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771 or by visiting the Ohio STRS website at [www.strsoh.org](http://www.strsoh.org) under “Publications.”

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 6. PENSION PLANS (CONTINUED)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) plan and a combined plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 defined benefit portion of the Combined Plan payment is payable to a member on or after age 60; the defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

*Funding Policy* — Plan members were required to contribute 10% of their annual covered salaries. NHA was required to contribute 14%; 13% was used to fund pension obligations and 1% was used for the health care stabilization fund. 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NHA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$200,784, \$181,884, and \$187,711 respectively; 100% was contributed for each fiscal year.

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 7. POSTEMPLOYMENT BENEFITS

#### A. School Employees Retirement System

*Plan Description*— NHA and contractors of NHA, on behalf of certain employees at the Academy, participates in two cost-sharing, multiple employer postemployment benefit plans administered by SERS for noncertificated 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 health maintenance organizations, preferred provider organizations, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90, but could be as high as \$335.70 per month depending on their income for most participants and the 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 may be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under "Employers/Audit Resources."

*Funding Policy*— State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to a Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16% of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The 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.

NHA's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011, were \$2,198, \$2,110, and \$2,411 respectively, 100% was contributed in each fiscal year.



# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 7. POSTEMPLOYMENT BENEFITS (CONTINUED)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B fund. For fiscal year 2013, the actuarially required allocation is 0.74% of covered payroll. NHA's contributions (including surcharge) to the Medicare B fund for the fiscal years ended June 30, 2013, 2012, and 2011, were \$2,048, \$2,155, and \$2,259 respectively, 100% was contributed in each fiscal year.

#### **B. State Teachers Retirement System**

*Plan Description* — NHA, on behalf of teachers at the Academy, contributes to the cost sharing, multiple-employer defined benefit health plan (the "Plan") administered by STRS Ohio for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio, which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) under "Publications" or by calling (888)-227-7877.

*Funding Policy* — Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund.

NHA's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$15,445, \$13,991, and \$14,439, respectively; 100% was contributed for each fiscal year.

### 8. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained through Citizens Insurance Company of America as follows:

Commercial General Liability	\$1,000,000 per occurrence \$3,000,000 in the aggregate with no deductible
Commercial Liability Umbrella	\$3,000,000 per occurrence \$3,000,000 in the aggregate with no deductible

There have been no significant reductions in insurance coverage during fiscal year 2013, and claims did not exceed coverage less retained risk deductible amounts during the past three fiscal years.

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 9. CONTINGENCIES

#### A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

#### B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalent calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in the State funding being adjusted. The Academy does not anticipate any material adjustments to State funding for fiscal year 2013, as a result of such a review.

### 10. CONTRACTED SERVICE FEE

NHA incurred the following actual direct and indirect expenses on behalf of the Academy for the year ended June 30, 2013:

#### Direct Expenses:

Salaries, wages and benefits	\$ 2,495,367
Professional and technical services	383,383
Contracted (trade) services	17,191
Property services	1,149,143
Books, periodicals, films	83,611
Supplies	121,941
Utilities	91,033
Food service	333,106
Travel and training	79,034
Purchases services	70,201
Equipment lease and purchases	116,260
Field trips and student activities	5,289
Insurance and property taxes	18,089
Total direct expenses	4,963,650
Indirect expenses (overhead)	533,458
Total contracted service fee	<u>\$ 5,497,108</u>

# STAMBAUGH CHARTER ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 11. CONTRACTED SERVICE FEE (CONTINUED)

NHA charges expenses benefiting more than one school (i.e., indirect overhead expenses) based on key cost drivers. These charges represent indirect cost of services provided in the operation of the Academy. Such services include, but are not limited to, facilities management, equipment, operational support services, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, and marketing and communications.

### 12. SPONSORSHIP AGREEMENT

The Academy entered into a sponsorship agreement with Buckeye. This agreement provides that Buckeye receives 2.25% of State Foundation funds received by the Academy from the State. This amounted to \$70,201 for fiscal year 2013.

### 13. OPERATING LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2012 through June 30, 2013. Annual rental payments required by the lease are \$907,520 payable in twelve monthly payments of \$75,627. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2013 through June 30, 2014, at the same rental rate.

### 14. ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2013, the Academy has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

# STAMBAUGH CHARTER ACADEMY

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2013

---

### 14. ACCOUNTABILITY AND COMPLIANCE (CONTINUED)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Academy.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Academy.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Academy.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Academy.

\* \* \* \* \*

**STAMBAUGH ACADEMY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title Grant Number</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
U.S. Department of Education—				
Passed through the Ohio Department of Education:				
Title I Grants to Local Educational Agencies				
	2012	84.010	\$ 134,303	\$ 83,689
	2013		<u>316,973</u>	<u>372,719</u>
			451,276	456,408
Improving Teacher Quality State Grants - Title II-A				
	2012	84.367	17,431	17,431
	2013		<u>-</u>	<u>3,750</u>
			17,431	21,181
Educational Technology State Grants - Title II-D				
	2012	84.318	2,683	1,643
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act				
	2012	84.395A	50,891	8,267
	2013		32,130	47,842
	2012		<u>700</u>	<u>-</u>
			83,721	56,109
Special Education_Grants to States				
	2012	84.027	15,331	-
	2013		<u>78,915</u>	<u>129,279</u>
			94,246	129,279
Total U.S. Department of Education			<u>649,357</u>	<u>664,620</u>
U.S. Department of Agriculture—				
Passed through the Ohio Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program—				
Entitlement Commodities				
	2013	10.555	<u>16,728</u>	<u>16,728</u>
Total Non-Cash Assistance			<u>16,728</u>	<u>16,728</u>
U.S. Department of Agriculture—				
Passed through the Ohio Department of Education:				
Cash Assistance:				
School Breakfast Program				
	2012	10.553	\$ 1,604	\$ 5
	2013		<u>106,603</u>	<u>109,078</u>
			108,207	109,083
National School Lunch Program				
	2012	10.555	3,261	5
	2013		<u>204,614</u>	<u>208,568</u>
			<u>207,875</u>	<u>208,573</u>
Total Cash Assistance			<u>316,082</u>	<u>317,656</u>
Total U.S. Department of Agriculture			<u>332,810</u>	<u>334,384</u>
TOTAL			<u>\$ 982,167</u>	<u>\$ 999,004</u>

**STAMBAUGH CHARTER ACADEMY  
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the "Schedule") reports the Stambaugh Charter Academy's (the "Academy's") federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The Academy reports commodities consumed on the Schedule at the fair value. The Academy allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Stambaugh Charter Academy  
Mahoning County  
2420 Donald Avenue  
Youngstown, Ohio 44509

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Stambaugh Charter Academy, Mahoning County, (the "Academy") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 31, 2014, wherein we noted the Academy adopted new accounting guidance in Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2014





# Dave Yost • Auditor of State

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

Stambaugh Charter Academy  
Mahoning County  
2420 Donald Avenue  
Youngstown, Ohio 44509

To the Board of Directors:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Stambaugh Charter Academy's (the "Academy") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Stambaugh Charter Academy's major federal programs for the year ended June 30, 2013. The *Summary of Auditor Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

### ***Management's Responsibility***

The Academy's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major programs. However, our audit does not provide a legal determination of the Academy's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Stambaugh Charter Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2014

**STAMBAUGH CHARTER ACADEMY  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (CFDA #10.553 & 10.555); and Title 1 (CFDA #84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Stambaugh Charter Academy  
Mahoning County  
2420 Donald Avenue  
Youngstown, Ohio 44509

To the Board of Directors:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

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

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

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

**Dave Yost**  
Auditor of State

March 31, 2014

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**STAMBAUGH CHARTER ACADEMY**

**MAHONING 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  
APRIL 15, 2014**