



Dave Yost • Auditor of State

**RUSHMORE ACADEMY
MARION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Rushmore Academy
Marion County
420 Presidential Drive, Suite B
Marion, Ohio 43302

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Rushmore Academy, Marion County, Ohio (the Academy), a component unit of the Marion City School District, as of and for the years 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 financial position of Rushmore Academy, Marion County, Ohio, as of June 30, 2013, and the changes in 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2014

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

Unaudited

The management's discussion and analysis of Rushmore Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

FINANCIAL HIGHLIGHTS

The Academy began operations in July 2009. The Academy is a standalone brick and mortar school which served 87 students during fiscal year 2010. In fiscal year 2013, the Academy's student population increased to 168. The Academy hires and provides specialized training for its entire staff.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of two parts – management's discussion and analysis and the basic financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of net position represents the basic statement of position for the Academy. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from government-wide financial statements is included in the discussion and analysis.

The following tables represent the Academy's condensed financial information for 2013 and 2012 derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

	Net Position	
	2013	2012
Current and other assets	\$784,480	\$794,178
Capital assets, Net	83,302	127,233
Total assets	867,782	921,411
Other liabilities	137,340	134,847
Total liabilities	137,340	134,847
Net position		
Investment in capital assets	83,302	127,233
Unrestricted	647,140	659,331
Total net position	\$730,442	\$786,564

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

Unaudited

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2013 and 2012:

	Change in Net Position	
	2013	2012
Operating Revenues		
Foundation Payments	\$1,116,271	\$1,062,007
All Other Revenue	2,666	1,133
Total operating revenues	<u>1,118,937</u>	<u>1,063,140</u>
Operating Expenses		
Purchased Services	1,106,858	964,409
Supplies and Materials	79,701	110,230
Depreciation	40,917	41,925
Total operating expenses	<u>1,227,476</u>	<u>1,116,564</u>
Operating Income (Loss)	(108,539)	(53,424)
Nonoperating Revenues (Expenses)		
Federal and State Restricted Grants	58,449	67,966
Loss on Disposal of Capital Assets	(6,032)	0
Total Nonoperating Revenues (Expenses)	<u>52,417</u>	<u>67,966</u>
Total Change in Net Position	(56,122)	14,542
Net Position Beginning of Year	<u>786,564</u>	<u>772,022</u>
Net Position End of Year	<u>\$730,442</u>	<u>\$786,564</u>

The Academy operates as one business-type enterprise fund; therefore, no analysis of balances and transactions of individual funds are included in the discussion and analysis. The decrease in current and other assets reflects a decrease in cash and cash equivalents; the Academy received more State foundation monies in fiscal year 2013 due to higher enrollment; however this was more than offset by higher operating expenses. The decrease in net capital assets and investment in capital assets reflects current year depreciation. The increase in current liabilities reflects increased costs associated with the higher enrollment (services acquired from Marion City School District and TRECA).

BUDGET

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013 the Academy had \$83,302 net of accumulated depreciation invested in equipment. The following table shows fiscal years 2013 and 2012:

	Business-Type Activities		Increase (Decrease)
	2013	2012	
Equipment	\$198,165	\$222,987	(\$24,822)
Less: Accumulated Depreciation	(114,863)	(95,754)	(19,109)
Totals	<u>\$83,302</u>	<u>\$127,233</u>	<u>(\$43,931)</u>

The decrease in capital assets is due to depreciation and the disposal of forty desktop computers. Additional information on the Academy's capital assets can be found in Note 5.

Debt

The Academy has not issued any debt.

ECONOMIC FACTORS

The Academy is sponsored by the Marion City School District. The Academy relies on State foundation funding as well as federal grants to provide the monies necessary to operate a drop-out/credit recovery oriented educational program. These funds will continue to help expand the current program. The future of the Academy is dependent upon continued funding from the State as no local revenue can be generated through tuition or property taxes.

The Academy has committed itself to providing a service to those students who have either dropped-out of school or for those students in search of credit recovery. The management will aggressively pursue adequate funding to secure the financial stability of the Academy.

For the 2013/2014 school year, the Academy is committed to providing all students and staff with the necessary resources to help promote a safe learning environment. The Academy will work independently and together with its sponsor to provide professional development and learning opportunities to all staff members.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to reflect the Academy's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Hueston Lauderman, Treasurer, Rushmore Academy, 420 Presidential Drive, Suite B, Marion, Ohio 43302.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

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RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

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

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 764,843
Receivables:	
Intergovernmental	17,852
Prepaid Items	1,785
<i>Total Current Assets</i>	<u>784,480</u>

Non Current Assets:

Capital Assets, Net of Accumulated Depreciation	<u>83,302</u>
-------------------------------------------------	---------------

Total Assets 867,782

Liabilities:

Current Liabilities:

Accounts Payable	7,022
Due to Primary Government	123,473
Unearned Revenue	<u>6,845</u>
Total Liabilities	<u>137,340</u>

Net Position

Net Investment in Capital Assets	83,302
Unrestricted	<u>647,140</u>
Total Net Position	<u>\$ 730,442</u>

See accompanying notes to the basic financial statements

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

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

Operating Revenues:	
Foundation Payments	\$ 1,116,271
All Other Revenue	<u>2,666</u>
Total Operating Revenues	<u>1,118,937</u>
Operating Expenses:	
Purchased Services	1,106,858
Supplies and Materials	79,701
Depreciation	<u>40,917</u>
Total Operating Expenses	<u>1,227,476</u>
Operating Loss	(108,539)
Nonoperating Revenues (Expenses):	
Federal and State Restricted Grants	58,449
Loss on Disposal of Capital Assets	<u>(6,032)</u>
Total Nonoperating Revenues (Expenses)	<u>52,417</u>
Change in Net Position	(56,122)
Net Position Beginning of Year	<u>786,564</u>
Net Position End of Year	<u>\$ 730,442</u>

See accompanying notes to the basic financial statements

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

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

<u>Cash Flows from Operating Activities:</u>	
Cash Received for School Foundation	\$1,126,886
Cash Received from Other Revenue	2,666
Cash Payments for Goods and Services	(1,192,696)
Net Cash Used by Operating Activities	<u>(63,144)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal and State Restricted Grants Received	<u>57,162</u>
Net Cash Provided by Noncapital Financing Activities	<u>57,162</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	<u>(3,018)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(3,018)</u>
Net Decrease in Cash and Cash Equivalents	(9,000)
Cash and Cash Equivalents at Beginning of Year	<u>773,843</u>
Cash and Cash Equivalents at End of Year	<u>\$764,843</u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Loss	(\$108,539)
Adjustments to Reconcile Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	40,917
Changes in Assets and Liabilities:	
Decrease in Intergovernmental Receivable	3,770
Increase in Prepaid Items	(1,785)
Increase in Accounts Payable	2,223
Decrease in Intergovernmental Payables	(1,500)
Decrease Due to Primary Government	(5,075)
Increase in Unearned Revenue	<u>6,845</u>
Total Adjustments	<u>45,395</u>
Net Cash Used by Operating Activities	<u>(\$63,144)</u>

See accompanying notes to the basic financial statements

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Notes to the Basic Financial Statements ***For the Fiscal Year Ended June 30, 2013***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rushmore Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect The Academy's tax exempt status. The Academy's objective is to deliver a comprehensive educational program of high quality, tied to State and national standards, which can be delivered to students age sixteen through twenty-one. It is to be operated in cooperation with the public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The Academy, which is part of the State's education program, is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school.

The Academy was approved for operation under a contract with the Marion City School District (the Sponsor) for a five-year period commencing on July 1, 2009. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Academy with the Assistant Treasurer of the Sponsor performing the role of Treasurer for the Academy.

The Academy operates under the direction of a five-member Board of Directors made up of community members within the area served by the Academy. The board members are appointed by the Marion City Board of Education. Because the Marion City Board of Education is financially accountable for the Academy, the Academy is considered a component unit of the Marion City School District. The Board of Directors of the Academy 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. During fiscal year 2013, the Academy purchased services from the Tri-Rivers Educational Computer Association (TRECA).

The accounting policies and financial reporting practices of the Academy conform to generally accepted accounting principles as applicable 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 following is a summary of its significant accounting policies.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

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

C. Measurement Focus

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

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenues – Exchange and Non-exchange Transactions – 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.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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 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 reimbursement basis.

E. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, and investments with original maturities of three months or less. During fiscal year 2013, the Academy had no investments.

G. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. 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.

1. Property, Plant and Equipment

Property, plant and equipment acquired by the Academy are stated at cost (or estimated historical cost). Contributed capital assets are recorded at fair market value at the date received.

2. Depreciation

All capital assets are depreciated excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Furniture, Fixtures and Equipment	5 - 20

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available. The Academy did not have a restricted net position at fiscal year end.

I. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

J. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Academy, these revenues are foundation payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2013 the Academy implemented GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*”, GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” and GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”.

GASB Statement No. 61 which 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.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. These changes were incorporated in the Academy’s 2013 financial statements; however, there was no effect on beginning net position.

NOTE 3 - CASH, CASH EQUIVALENTS

At year end the carrying amount of the Academy’s deposits was of \$764,843 and the bank balance was \$1,050,445. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The remaining \$800,445 was uninsured and collateralized with securities held by the pledging institution’s trust department, not in the Academy’s name. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013 consisted of intergovernmental receivables for Federal Restricted Grant, all of which is considered collectible.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 5 - CAPITAL ASSETS

Summary by category of changes in capital assets at June 30, 2013:

Historical Cost:

Class	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets being depreciated:				
Furniture and Equipment	\$222,987	\$3,018	(\$27,840)	\$198,165
Total Cost	\$222,987	\$3,018	(\$27,840)	\$198,165

Accumulated Depreciation:

Class	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Furniture and Equipment	(\$95,754)	(\$40,917)	\$21,808	(\$114,863)
Total Depreciation	(\$95,754)	(\$40,917)	\$21,808	(\$114,863)
Net Value:	\$127,233			\$83,302

NOTE 6 – RELATED PARTY TRANSACTIONS

The Academy is a component unit of the Sponsor (Marion City School District). The Academy and Marion City School District entered into a five-year sponsorship agreement on March 9, 2009, whereby terms of the sponsorship were established. Pursuant to this agreement, Marion City School District's Assistant Treasurer serves as the Academy's fiscal officer.

In fiscal year 2013, other payments made by the Academy to the Sponsor totaled \$951,215. These represent payments of \$918,559 for administrative services provided by Marion City School District to the Academy and \$32,626 for reimbursements for software made by Marion City School District for the Academy.

Payments made by the Academy to TRECA in fiscal year 2013 for purchased services were \$4,159 in fees.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 7 – FISCAL AGENT

The sponsorship agreement states the Treasurer of the Sponsor shall serve as the fiscal officer of the Academy.

The Treasurer of the Sponsor shall perform the following functions while serving as the Treasurer of the Academy:

- 1) Maintain the financial records of the Academy in the same manner as are financial records of school districts, pursuant to rules of the Auditor of State;
- 2) Comply with the policies and procedures regarding internal financial control of the Academy; and
- 3) Comply with requirements and procedures for financial audits by the Auditor of State.

NOTE 8 – CONTRACT WITH TRECA

The Academy entered into a contract on June 8, 2012, with Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract, the following terms were agreed upon:

- 1) TRECA shall provide instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- 2) All personnel providing services to the Academy on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions, and all other legal withholding and/or payroll taxes with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- 3) The technical services provided by TRECA to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- 4) The Academy shall provide a key contact person who shall oversee and coordinate the daily operation of the Academy and serve as the liaison between the Academy and TRECA.
- 5) Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

NOTE 8 – CONTRACT WITH TRECA (Continued)

- 6) In exchange for the services and support provided by TRECA, the Academy shall pay to TRECA \$150 per full-time student enrolled in the Academy per year.
- 7) For elective courses beyond the core curriculum, the Academy shall pay to TRECA \$250 per semester per student per half (.5) credit course.
- 8) Under a separate agreement, any professional development provided by TRECA to the Academy for instructional training shall be at the rate of \$650 per day.

For fiscal year 2013, \$4,159 was paid to TRECA.

To obtain TRECA's June 30, 2013, audited financial statements contact Scott Armstrong, Treasurer, at scott@treca.org.

NOTE 9 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the Academy obtained the following insurance coverage through Marion City School District's insurance policy.

<u>Insurance Provider</u>	<u>Item Covered</u>	<u>Coverage Amount</u>
Ohio Casualty	General Liability	\$1,000,000/per occurrence
Ohio Casualty	Aggregate	2,000,000

There has been no significant reduction in insurance coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

RUSHMORE ACADEMY

(A Component Unit of Marion City School District)
MARION COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013***

NOTE 10 - CONTINGENCIES

A. Grants

The Academy receives financial assistance from federal 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2013.

B. Litigation

The Academy is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2013.

C. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community 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 conclusions of this review could result in state funding being adjusted. The Academy does not anticipate any material adjustments to state funding for fiscal year 2013 as a result of such review.



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

Rushmore Academy
Marion County
420 Presidential Drive, Suite B
Marion, Ohio 43302

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 Rushmore Academy, Marion County, Ohio (the Academy), a component unit of the Marion City School District, 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 February 28, 2014.

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 Academy'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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2014



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Rushmore Academy
Marion County
420 Presidential Drive, Suite B
Marion, Ohio 43302

To the Board of Directors:

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

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

1. In our report dated February 28, 2014, we noted the Board adopted an anti-harassment policy on November 16, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the November 16, 2010 policy. The policy lacks the following required by Ohio Rev. Code Section 3313.666.

- (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666, as of the latest amendment.

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

This report is intended solely for the information and use of the Board and the Marion City School District, 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". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2014



Dave Yost • Auditor of State

RUSHMORE ACADEMY

MARION 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
MARCH 27, 2014**