

***RUSHMORE ACADEMY
(A COMPONENT UNIT OF MARION CITY
SCHOOL DISTRICT)
MARION COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017





Dave Yost • Auditor of State

Board of Directors
Rushmore Academy
420 Presidential Drive, Suite B
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of the Rushmore Academy, Marion County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 2, 2018

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RUSHMORE ACADEMY
(a Component Unit of Marion City School District)
MARION COUNTY
AUDIT REPORT
For the year ended June 30, 2017

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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 cash-basis financial statements of the 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, 2017 and the related notes to the financial statements, which collectively comprise Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash financial position of Rushmore Academy, Marion County Ohio as of June 30, 2017, and the changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Academy's Board has voted to cease operation on June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The management's discussion and analysis on pages 3-5, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
November 3, 2017

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, 2017**

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, 2017. 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.

HIGHLIGHTS

The Academy began operations in July 2009. The Academy is a standalone brick and mortar school. The Academy hires and provides specialized training for its entire staff.

The Academy will be closing on June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Academy as a whole. The notes to the financial statements are an integral part of the Academy's government-wide financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

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, 2017

Unaudited

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 2017 and 2016 derived from the statement of net position and the statement of receipts, disbursements, and changes in net position.

	Net Position	
	2017	2016
Cash and Cash Equivalents	\$811,641	\$1,145,237
Total assets	811,641	1,145,237
Net position		
Restricted	0	7,414
Unrestricted	811,641	1,137,823
Total net position	\$811,641	\$1,145,237

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2017 and 2016:

	Change in Net Position	
	2017	2016
Operating Receipts		
Foundation Payments	\$2,532,726	\$2,190,678
All Other Receipts	68,402	77,472
Total Operating Receipts	2,601,128	2,268,150
Operating Disbursements		
Purchased Services	3,657,254	2,563,356
Supplies and Materials	206,931	182,399
Other Operating Disbursements	5,323	125,000
Total Operating Disbursements	3,869,508	2,870,755
Operating Loss	(1,268,380)	(602,605)
Nonoperating Receipts (Disbursements)		
Federal and State Restricted Grants	1,315,800	904,521
Capital Outlay	(381,016)	(163,712)
Total Nonoperating Receipts (Disbursements)	934,784	740,809
Total Change in Net Position	(333,596)	138,204
Net Position Beginning of Year	1,145,237	1,007,033
Net Position End of Year	\$811,641	\$1,145,237

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, 2017

Unaudited

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 result of fiscal year 2017 indicates a decrease in net position of \$333,596 and ending net position of \$811,641. The decrease is the result of increased disbursements outpacing the increased receipts. This is a result of increased student population at the Academy.

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.

DEBT ADMINISTRATION

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 2016/2017 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

Statement of Net Position – Cash Basis **June 30, 2017**

Assets:

Current Assets:

Cash and Cash Equivalents \$ 811,641

Total Assets 811,641

Net Position

Unrestricted 811,641

Total Net Position \$ 811,641

See accompanying notes to the basic financial statements

RUSHMORE ACADEMY

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

Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis For the Fiscal Year Ended June 30, 2017

Operating Receipts:	
Foundation Payments	\$ 2,532,726
All Other Revenue	68,402
Total Operating Receipts	<u>2,601,128</u>
Operating Disbursements:	
Purchased Services	3,657,254
Supplies and Materials	206,931
Other Operating Expense	5,323
Total Operating Disbursements	<u>3,869,508</u>
Operating Loss	(1,268,380)
Nonoperating Receipts (Disbursements):	
Federal and State Restricted Grants	1,315,800
Capital Outlay	(381,016)
Total Nonoperating Receipts (Disbursements)	<u>934,784</u>
Change in Net Position	(333,596)
Net Position Beginning of Year	<u>1,145,237</u>
Net Position End of Year	<u>\$ 811,641</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, 2017***

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, 2014. 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 2017, the Academy purchased services from the Metropolitan Educational Technology Association (META).

As discussed further in the Basis of Accounting portion of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (disbursements) related to providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Academy's basic financial statements consist of a statement of net position and a statement of receipts, disbursements and changes in net position.

C. Basis of Accounting

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. 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 prescribe a budget requirement. The Academy is required to develop a five year projection that is to be reviewed twice a year by the Board of Directors.

E. 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 2017, the Academy had no investments.

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, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Items

The Academy reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets and Depreciation

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Net Position

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 a disbursement is made for purposes for which both restricted and unrestricted net resources are available.

I. Operating Receipts and Disbursements

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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, 2017

NOTE 2 - COMPLIANCE

Financial Reporting - Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position /fund balances, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

NOTE 3 – CASH AND CASH EQUIVALENTS

At year end the carrying amount of the Academy's deposits was of \$811,641 and the bank balance was \$830,148. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The remaining \$580,148 was collateralized in accordance with Ohio Revised Code. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Academy will not be able to recover 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 Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

NOTE 4 – 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 11, 2014, 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 2017, other payments made by the Academy to the Sponsor totaled \$2,210,446. These represent payments for administrative services provided by Marion City School District to the Academy.

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, 2017

NOTE 5 – FISCAL AGENT

The sponsorship agreement states the Sponsor shall serve as the fiscal agent of the Academy and shall provide the services of a qualified individual, who shall, as an employee or contractor of the Sponsor serve as the Academy’s fiscal officer. During 2017, the Sponsor’s Assistant Treasurer served as the Academy’s fiscal officer.

The Assistant 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 the requirements and procedures for financial audits by the Auditor of State.

NOTE 6 – 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 2017, 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, 2017***

NOTE 7 – CONTRACT WITH META

The Academy entered into a contract on July 1, 2009, with META Solutions to provide fiscal and technical services. Under the contract, the following terms were agreed upon:

- 1) META Solutions shall provide fiscal 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 META Solutions under the agreement shall be employees of META Solutions and META Solutions 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 META Solutions 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 META Solutions.
- 5) Curricular services provided by META Solutions shall be limited to the standardized curriculum developed by META Solutions.
- 6) In exchange for the services and support provided by META Solutions, the Academy shall pay to META Solutions \$150 per full-time student enrolled in the Academy per year.

For fiscal year 2017, \$1,720 was paid to META.

To obtain META's June 30, 2017, audited financial statements contact Scott Armstrong, Treasurer, at sarmstrong@metasolutions.net.

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, 2017

NOTE 8 – 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 are 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, 2017.

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, 2017.

C. School Foundation

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Academy for fiscal year 2017.

The first ODE adjustment resulted in an adjustment in favor of the Ohio Department of Education of (\$7,352). As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional revenue to, or an expense of, the Academy reported in fiscal year 2018.

In addition, the Academy's contract with their Sponsor requires payment based on revenues received from the State. As discussed above, additional FTE adjustments for fiscal year 2017 are not finalized. Until such adjustments are finalized by ODE, the impact on the fiscal year 2017 financial statements, related to additional reconciliation necessary with these contracts, is not determinable. Management believes this may result in either an additional receivable to, or liability of, the School.

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, 2017***

NOTE 9 – PURCHASED SERVICES

During the year, purchased services expenses were as follows:

Salaries	\$2,187,974
Contractual Services	60,193
Professional Services	1,145,857
Travel and Meeting Expense	2,584
Property Services	113,074
Transportation Fees	7,451
Communication	79,804
Tuition and Other Payment	60,317
Total	<u><u>\$3,657,254</u></u>

NOTE 10 – SUBSEQUENT EVENT

In August of 2017, it was determined that the Rushmore Academy will close for good as of June 30, 2018.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

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 standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rushmore Academy, Marion County (the Academy) a component of the Marion City School Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 3, 2017. We noted the Academy reports on the cash basis of accounting, which is a comprehensive accounting basis other than generally accepted accounting principles.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2017-001.

Entity's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Charles E. Harris & Associates, Inc.
November 3, 2017

**RUSHMORE ACADEMY
MARION COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2017-001

Noncompliance – Basis of Accounting

Ohio Administrative Code Section 117-2-03 (B) states “All counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles.”

The Academy prepared its financial statements on cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. To be in compliance with the Ohio Administrative Code, the Academy should use generally accepted accounting principles in future annual reports. Not using principles generally accepted in the United States of America makes the Academy subject to fines and other administrative remedies.

Official’s Response:

See Corrective Action Plan

RUSHMORE ACADEMY
MARION COUNTY
For the Year Ended June 30, 2017

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2016-001	Contrary to Ohio Administrative Code Section 117-2-03(B) , Academy does not prepare its financial report in accordance with accounting principles generally accepted in the United States of America.	Not Corrected	Reissued as finding # 2017-001.

RUSHMORE ACADEMY
MARION COUNTY

CORRECTIVE ACTION PLAN
June 30, 2017

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2017-001	The Academy analyzed the risks and benefits of continuing to convert financials from a cash basis to a GAAP basis. In order to reduce time and costs, a decision was made to present financials following the cash basis.	N/A	Hueston Launderman, Treasurer

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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 15, 2018**