



Dave Yost • Auditor of State

**RUSHMORE ACADEMY
MARION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic 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, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rushmore Academy, Marion County, Ohio, as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

December 18, 2012

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, 2012

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, 2012. 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 2012, the Academy's student population increased to 154. 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 assets. The statement of net assets represents the basic statement of position for the Academy. The statement of revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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 2012 and 2011 derived from the statement of net assets and the statement of revenues, expenses, and changes in net assets.

	Net Assets	
	2012	2011
Current and other assets	\$794,178	\$701,457
Capital assets, Net	127,233	160,570
Total assets	921,411	862,027
Other liabilities	134,847	90,005
Total liabilities	134,847	90,005
Net assets		
Invested in capital assets	127,233	160,570
Unrestricted	659,331	611,452
Total net assets	\$786,564	\$772,022

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, 2012

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2012 and 2011:

	Change in Net Assets	
	2012	2011
Operating Revenues		
Foundation Payments	\$1,062,007	\$774,487
All Other Revenue	1,133	13,068
Total operating revenues	<u>1,063,140</u>	<u>787,555</u>
Operating Expenses		
Purchased Services	964,409	607,818
Supplies and Materials	110,230	119,265
Depreciation	41,925	33,531
Total operating expenses	<u>1,116,564</u>	<u>760,614</u>
Operating Income (Loss)	(53,424)	26,941
Nonoperating Revenues (Expenses)		
Federal and State Restricted Grants	67,966	418,082
Total Nonoperating Revenues (Expenses)	<u>67,966</u>	<u>418,082</u>
Total Change in Net Assets	14,542	445,023
Net Assets Beginning of Year	<u>772,022</u>	<u>326,999</u>
Net Assets End of Year	<u>\$786,564</u>	<u>\$772,022</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 increase in current and other assets reflects an increase in cash and cash equivalents; the Academy received more State foundation monies in fiscal year 2012 due to higher enrollment. This was somewhat offset by a decrease in intergovernmental receivables for amounts due to the Academy for various grants (such as Education Jobs). The decrease in net capital assets and invested 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, 2012

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012 the Academy had \$127,233 net of accumulated depreciation invested in equipment. The following table shows fiscal years 2012 and 2011:

	Business-Type Activities		Increase (Decrease)
	2012	2011	
Equipment	\$222,987	\$214,399	\$8,588
Less: Accumulated Depreciation	(95,754)	(53,829)	(41,925)
Totals	\$127,233	\$160,570	(\$33,337)

The increase in capital assets is due to the purchase of a computer server. Additional information on the Academy's capital assets can be found in Note 4.

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 2012/2013 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.

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RUSHMORE ACADEMY

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

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

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 773,843
Receivables:	
Intergovernmental	20,335
Total Current Assets	<u>794,178</u>

Non Current Assets:

Capital Assets, Net of Accumulated Depreciation	<u>127,233</u>
Total Assets	<u>921,411</u>

Liabilities:

Current Liabilities:

Accounts Payable	4,799
Intergovernmental Payable	1,500
Due to Primary Government	<u>128,548</u>
Total Liabilities	<u>134,847</u>

Net Assets

Invested in Capital Assets	127,233
Unrestricted	<u>659,331</u>
Total Net Assets	<u>\$ 786,564</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 Assets For the Fiscal Year Ended June 30, 2012

Operating Revenues:	
Foundation Payments	\$ 1,062,007
All Other Revenue	1,133
Total Operating Revenues	1,063,140
Operating Expenses:	
Purchased Services	964,409
Supplies and Materials	110,230
Depreciation	41,925
Total Operating Expenses	1,116,564
Operating Loss	(53,424)
Nonoperating Revenue (Expenses):	
Federal and State Restricted Grants	67,966
Total Nonoperating Revenues	67,966
Change in Net Assets	14,542
Net Assets Beginning of Year	772,022
Net Assets End of Year	\$ 786,564

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, 2012**

<u>Cash Flows from Operating Activities:</u>	
Cash Received for School Foundation	\$1,052,661
Cash Received from Other Revenue	1,133
Cash Payments for Goods and Services	<u>(1,015,665)</u>
Net Cash Provided by Operating Activities	<u>38,129</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Federal and State Restricted Grants Received	<u>264,792</u>
Net Cash Provided by Noncapital Financing Activities	<u>264,792</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Assets	<u>(17,144)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(17,144)</u>
Net Increase in Cash and Cash Equivalents	285,777
Cash and Cash Equivalents at Beginning of Year	<u>488,066</u>
Cash and Cash Equivalents at End of Year	<u>\$773,843</u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Loss	(\$53,424)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	41,925
Changes in Assets and Liabilities:	
Increase in Intergovernmental Receivable	(3,770)
Increase in Accounts Payable	3,753
Decrease in Intergovernmental Payables	(6,094)
Increase Due to Primary Government	61,315
Decrease in Unearned Revenue	<u>(5,576)</u>
Total Adjustments	<u>91,553</u>
Net Cash Provided by Operating Activities	<u>\$38,129</u>

See accompanying notes to the basic financial statements

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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, 2012***

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 2012, 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, 2012

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 assets, a statement of revenues, expenses and change in net assets, and a statement of cash flows. Enterprise reporting focuses on the determination of the change in net assets, 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 assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Academy follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its enterprise funds.

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, 2012

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 2012, 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.

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, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets and Depreciation (Continued)

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

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are 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 assets are available. The Academy did not have any restricted net assets 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, 2012

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

At year end the carrying amount of the Academy's deposits was of \$773,843 and the bank balance was \$774,085. The entire bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012 consisted of intergovernmental receivables. Of the total, \$16,565 is for federal restricted grants and \$3,770 is for State Foundation monies, all of which is considered collectible.

NOTE 4 - CAPITAL ASSETS

Summary by category of changes in capital assets at June 30, 2012:

Historical Cost:

<u>Class</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital Assets being depreciated:				
Furniture and Equipment	\$214,399	\$8,588	\$0	\$222,987
Total Cost	\$214,399	\$8,588	\$0	\$222,987

Accumulated Depreciation:

<u>Class</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Furniture and Equipment	(\$53,829)	(\$41,925)	\$0	(\$95,754)
Total Depreciation	(\$53,829)	(\$41,925)	\$0	(\$95,754)
Net Value:	\$160,570			\$127,233

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, 2012***

NOTE 5 – 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 2012, other payments made by the Academy to the Sponsor totaled \$883,203. These represent payments of \$858,182 for administrative and support services provided by Marion City School District to the Academy and \$25,021 for reimbursements for software made by Marion City School District for the Academy. Additionally, the Academy owed the Sponsor \$128,548 for such services at June 30, 2012.

Payments made by the Academy to TRECA in fiscal year 2012 for purchased services were \$12,595. This consists of the \$7,594 in student charges and \$5,001 in miscellaneous fees.

NOTE 6 – FISCAL AGENT

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

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

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, 2012***

NOTE 7 – CONTRACT WITH TRECA

The Academy entered into a contract on June 8, 2010, 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.
- 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 2012, \$12,595 was paid to TRECA.

To obtain TRECA's June 30, 2012, audited financial statements contact Scott Armstrong, Treasurer, at scott@treca.org.

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, 2012

NOTE 8 – 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 2012, 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.

NOTE 9 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. 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, 2012.

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, 2012.

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 2012 as a result of such review.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 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, 2012, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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

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, providing an opinion 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 18, 2012.

We intend this report solely for the information and use of management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one 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 "D" and "Y".

Dave Yost
Auditor of State

December 18, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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 13, 2012, 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. Therefore, the policy still 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 amended by House Bill 19 of the 128th General Assembly.

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 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". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 18, 2012



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
JANUARY 29, 2013**