

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

***AUDIT REPORT***

***FOR THE YEAR ENDED JUNE 30, 2016***







# Dave Yost • Auditor of State

Board of Education  
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, 2015 through June 30, 2016. 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

April 7, 2017

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**RUSHMORE ACADEMY**  
**(a Component Unit of Marion City School District)**  
**MARION COUNTY**  
**AUDIT REPORT**  
For the year ended June 30, 2016

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**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, 2016 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 preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 cash financial position of Rushmore Academy, Marion County Ohio as of June 30, 2016, and the changes in cash financial position for the year then ended in accordance with the accounting basis described in Note 1.

***Accounting Basis***

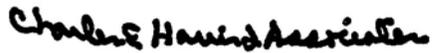
Ohio Administrative Code § 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements. 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.

***Other Information***

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 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.



***Charles E. Harris & Associates, Inc.***  
December 15, 2016

# **RUSHMORE ACADEMY**

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

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016***

***Unaudited***

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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, 2016. 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 which served 87 students during fiscal year 2010. In fiscal year 2016, the Academy's student population increased to 280. The Academy hires and provides specialized training for its entire staff.

## **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, 2016

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 2016 and 2015 derived from the statement of net position and the statement of receipts, disbursements, and changes in net position.

	Net Position	
	2016	Restated 2015
Cash and Cash Equivalents	\$1,145,237	\$1,007,033
Total assets	1,145,237	1,007,033
Net position		
Restricted	7,414	0
Unrestricted	1,137,823	1,007,033
Total net position	\$1,145,237	\$1,007,033

Changes in Net Position – The following table shows the changes in net position for the fiscal year 2016 and 2015:

	Change in Net Position	
	2016	Restated 2015
Operating Receipts		
Foundation Payments	\$2,190,678	\$1,792,025
All Other Receipts	77,472	47,774
Total Operating Receipts	2,268,150	1,839,799
Operating Disbursements		
Purchased Services	2,563,356	1,471,972
Supplies and Materials	182,399	51,727
Other Operating Disbursements	125,000	125,000
Total Operating Disbursements	2,870,755	1,648,699
Operating Income (Loss)	(602,605)	191,100
Nonoperating Receipts (Disbursements)		
Federal and State Restricted Grants	904,521	30,982
Capital Outlay	(163,712)	(98,468)
Total Nonoperating Receipts (Disbursements)	740,809	(67,486)
Total Change in Net Position	138,204	123,614
Net Position Beginning of Year, Restated	1,007,033	883,419
Net Position End of Year	\$1,145,237	\$1,007,033

# **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, 2016***

***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. Results of fiscal year 2016 indicate an increase in net position of \$138,204 and ending net position of \$1,145,237. The increase is the result of increased Foundation payments from the State as well as an increase in federal and state grants. 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 2015/2016 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, 2016**

**Assets:**

*Current Assets:*

Cash and Cash Equivalents \$ 1,145,237

**Total Assets** 1,145,237

**Net Position**

Restricted For:

Federally Funded Programs 7,414

Unrestricted 1,137,823

**Total Net Position** \$ 1,145,237

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, 2016**

<b>Operating Receipts:</b>	
Foundation Payments	\$ 2,190,678
All Other Revenue	77,472
<b>Total Operating Receipts</b>	<b>2,268,150</b>
<b>Operating Disbursements:</b>	
Purchased Services	2,563,356
Supplies and Materials	182,399
Other Operating Expense	125,000
<b>Total Operating Disbursements</b>	<b>2,870,755</b>
Operating Loss	(602,605)
<b>Nonoperating Receipts (Disbursements):</b>	
Federal and State Restricted Grants	904,521
Capital Outlay	(163,712)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>740,809</b>
Change in Net Position	138,204
Net Position Beginning of Year, Restated	1,007,033
Net Position End of Year	\$ 1,145,237

See accompanying notes to the basic financial statements

# **RUSHMORE ACADEMY**

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

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## ***Notes to the Basic Financial Statements*** ***For the Fiscal Year Ended June 30, 2016***

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### **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 2016, 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.

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# **RUSHMORE ACADEMY**

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016***

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### **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 2016, the Academy had no investments.

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# **RUSHMORE ACADEMY**

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

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016***

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**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, 2016**

### **NOTE 2 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF NET POSITION**

For fiscal year 2016, the Academy ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 1.

The implementation of this change had the following effects on net position as it was previously reported.

	Business-Type Activities
Net Position June 30, 2015 as reported	\$1,215,895
Eliminations:	
Asset Accruals	(177,973)
Capital Assets	(119,057)
Liability Accruals	88,168
Net Position June 30, 2015 as restated	<u>\$1,007,033</u>

### **NOTE 3 - 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 4 – CASH AND CASH EQUIVALENTS**

At year end the carrying amount of the Academy's deposits was of \$1,145,237 and the bank balance was \$1,164,373. The Federal Deposit Insurance Corporation (FDIC) covered \$250,000 of the bank balance. The remaining \$914,373 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.

# **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, 2016***

### **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 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 2016, other payments made by the Academy to the Sponsor totaled \$1,569,493. These represent payments of \$1,413,493 for administrative services provided by Marion City School District to the Academy, \$31,000 for reimbursements for software made by Marion City School District for the Academy and \$125,000 for a turf project.

### **NOTE 6 – 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 2016, 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.

# **RUSHMORE ACADEMY**

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

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2016***

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### **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 2016, \$11,635 was paid to META.

To obtain META's June 30, 2016, audited financial statements contact Scott Armstrong, Treasurer, at [sarmstrong@metasolutions.net](mailto: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, 2016**

### **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 2016, 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 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, 2016.

#### **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, 2016.

#### **C. School Foundation**

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time.

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614 W Superior Ave Ste 1242  
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Fax - (216) 436-2411

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

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**INDEPENDENT AUDITORS' 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 the Rushmore Academy (the Academy), a component of the Marion City School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 15, 2016. 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**

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**

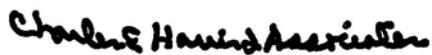
As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.

### **Entity's Response to Finding**

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

### **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.



*Charles E. Harris & Associates, Inc.*  
December 15, 2016

**RUSHMORE ACADEMY  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2016-001**

**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

CORRECTIVE ACTION PLAN  
June 30, 2016

FINDING NUMBER	PLANNED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	RESPONSIBLE CONTACT PERSON
2016-001	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  
MAY 4, 2017**