B37071

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT

OF

RURAL COMMUNITY ACADEMY

SULLIVAN COUNTY, INDIANA

July 1, 2007 to June 30, 2009

FILED

05/28/2010

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OFFICIALS

Office	Official	Term
Treasurer	Susie Pierce	07-01-07 to 06-30-10
School Leader	Susie Pierce	07-01-07 to 06-30-10
President of the School Corporation Board	Amanda Estey	07-01-07 to 06-30-12

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF RURAL COMMUNITY ACADEMY, SULLIVAN COUNTY, INDIANA

We have examined the financial information presented herein of the Rural Community Academy (School Corporation), for the period of July 1, 2007 to June 30, 2009. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Combining Schedule of Assets and Fund Balances and Receipts, Disbursements and Changes in Fund Balances - Cash and Investment Balances - Other Governmental Funds, Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

January 26, 2010

RURAL COMMUNITY ACADEMY
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 537,169	$ -	$ 19,053	$ (518,116)
Support services	309,321	19,454	4,642	(285,225)
Noninstructional services	21,537	-	-	(21,537)
Debt service	246,885	-	-	(246,885)
Total governmental activities	$ 1,114,912	$ 19,454	$ 23,695	(1,071,763)
General receipts:				
Property taxes				226,781
Other local sources				53,432
State aid				521,012
Bonds and loans				191,066
Grants and contributions not restricted to specific programs				26,883
Total general receipts				1,019,174
Change in net assets				(52,589)
Net assets - beginning				79,341
Net assets - ending				$ 26,752

Assets	
Cash and investments	$ 26,752

Net Assets	
Unrestricted	$ 26,752

The accompanying notes are an integral part of the financial information.

RURAL COMMUNITY ACADEMY
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 540,394	$ -	$ 24,630	$ (515,764)
Support services	357,755	24,065	-	(333,690)
Noninstructional services	36,592	-	76,536	39,944
Debt service	146,068	-	-	(146,068)
Total governmental activities	$ 1,080,809	$ 24,065	$ 101,166	(955,578)
General receipts:				
Property taxes				169,260
Other local sources				34,320
State aid				605,912
Bonds and loans				192,376
Grants and contributions not restricted to specific programs				96,209
Investment earnings				329
Total general receipts				1,098,406
Change in net assets				142,828
Net assets - beginning				26,752
Net assets - ending				$ 169,580
Assets				
Cash and investments				$ 169,580
Net Assets				
Unrestricted				$ 169,580

The accompanying notes are an integral part of the financial information.

RURAL COMMUNITY ACADEMY
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Textbook Rental	Other	Totals
Receipts:				
Local sources	$ 271,582	$ 5,837	$ 19,549	$ 296,968
State sources	540,065	4,642	-	544,707
Federal sources	406	-	26,847	27,253
Temporary loans	191,066	-	-	191,066
Interfund loans	-	-	2,329	2,329
Total receipts	1,003,119	10,479	48,725	1,062,323
Disbursements:				
Current:				
Instruction	502,195	3,956	31,018	537,169
Support services	301,768	755	6,798	309,321
Noninstructional services	2,329	-	19,208	21,537
Debt services	246,885	-	-	246,885
Total disbursements	1,053,177	4,711	57,024	1,114,912
Excess (deficiency) of receipts over disbursements	(50,058)	5,768	(8,299)	(52,589)
Cash and investments - beginning	53,982	14,520	10,839	79,341
Cash and investments - ending	$ 3,924	$ 20,288	$ 2,540	$ 26,752
Cash and Investment Assets - Ending				
Cash and investments	$ 3,924	$ 20,288	$ 2,540	$ 26,752
Cash and Investment Fund Balance - Ending				
Unrestricted	$ 3,924	$ 20,288	$ 2,540	$ 26,752

The accompanying notes are an integral part of the financial information.

RURAL COMMUNITY ACADEMY
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Textbook Rental	ARRA Stimulus Funds	Other	Totals
Receipts:					
Local sources	$ 196,752	$ 7,186	$ -	$ 27,371	$ 231,309
State sources	632,977	4,801	-	-	637,778
Federal sources	-	-	76,536	77,174	153,710
Temporary loans	192,376	-	-	-	192,376
Interfund loans	8,464	-	-	-	8,464
Total receipts	1,030,569	11,987	76,536	104,545	1,223,637
Disbursements:					
Current:					
Instruction	464,392	9,939	-	66,063	540,394
Support services	348,257	418	-	9,080	357,755
Noninstructional services	10,074	-	-	26,518	36,592
Debt services	146,068	-	-	-	146,068
Total disbursements	968,791	10,357	-	101,661	1,080,809
Excess of receipts over disbursements	61,778	1,630	76,536	2,884	142,828
Cash and investments - beginning	3,924	20,288	-	2,540	26,752
Cash and investments - ending	$ 65,702	$ 21,918	$ 76,536	$ 5,424	$ 169,580
Cash and Investment Assets - Ending					
Cash and investments	$ 65,702	$ 21,918	$ 76,536	$ 5,424	$ 169,580
Cash and Investment Fund Balance - Ending					
Unrestricted	$ 65,702	$ 21,918	$ 76,536	$ 5,424	$ 169,580

The accompanying notes are an integral part of the financial information.

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedules of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial schedules.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The textbook rental fund accounts for all receipts of fees collected for rent of textbooks and workbooks furnished to students; also, to record all disbursements for purchase of textbooks, for repair of textbooks and for workbooks to be used with rented textbooks furnished to students for a designated fee.

Fiscal stabilization – education (stimulus) fund accounts for receipts and disbursements of cash received from the federal government to be used to supplement funding of local, state, and federal programs.

B. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial schedules are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial schedules.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial schedules for governmental funds would use the modified accrual basis of accounting, while the fund financial schedules for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund schedules to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial schedules.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The school does not have any proprietary funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February

15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with IC 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Pension Plan

A. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

RURAL COMMUNITY ACADEMY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	School Lunch	School Library Printed Material	Instruction Support	ECIA Title I	Innovative Education Program Strategies	Drug Free Schools	Improving Teacher Quality	Improving Teacher Quality Enhanced	Cultural Arts	Totals
Receipts:										
Local sources	$ 19,454	$ 95	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,549
Federal sources	-	-	-	20,318	153	293	6,083	-	-	26,847
Interfund loans	615	-	-	-	-	324	-	1,390	-	2,329
Total receipts	20,069	95	-	20,318	153	617	6,083	1,390	-	48,725
Disbursements:										
Current:										
Instruction	-	-	184	23,098	-	569	6,560	607	-	31,018
Support services	112	250	-	-	364	-	5,289	783	-	6,798
Noninstructional services	18,778	-	-	-	-	-	-	-	430	19,208
Total disbursements	18,890	250	184	23,098	364	569	11,849	1,390	430	57,024
Excess (deficiency) of receipts over disbursements	1,179	(155)	(184)	(2,780)	(211)	48	(5,766)	-	(430)	(8,299)
Cash and investments - beginning	(685)	670	184	3,109	364	245	6,522	-	430	10,839
Cash and investments - ending	$ 494	$ 515	$ -	$ 329	$ 153	$ 293	$ 756	$ -	$ -	$ 2,540
Cash and Investment Assets - Ending										
Cash and investments	$ 494	$ 515	$ -	$ 329	$ 153	$ 293	$ 756	$ -	$ -	$ 2,540
Cash and Investment Fund Balance - Ending										
Unrestricted	$ 494	$ 515	$ -	$ 329	$ 153	$ 293	$ 756	$ -	$ -	$ 2,540

RURAL COMMUNITY ACADEMY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	School Lunch	Joint Service Supply	School Library Printed Material	ECIA Title I	Innovative Education Program Strategies	Drug Free Schools	Improving Teacher Quality	Rural Education Achievement Program	Totals
Receipts:									
Local sources	$ 27,295	$ -	$ 76	$ -	$ -	$ -	$ -	$ -	$ 27,371
Federal sources	-	24,756	-	24,898	-	1,144	6,227	20,149	77,174
Total receipts	27,295	24,756	76	24,898	-	1,144	6,227	20,149	104,545
Disbursements:									
Current:									
Instruction	-	24,756	50	23,475	103	898	4,268	12,513	66,063
Support services	1,271	-	20	-	50	-	2,715	5,024	9,080
Noninstructional services	26,518	-	-	-	-	-	-	-	26,518
Total disbursements	27,789	24,756	70	23,475	153	898	6,983	17,537	101,661
Excess (deficiency) of receipts over disbursements	(494)	-	6	1,423	(153)	246	(756)	2,612	2,884
Cash and investments - beginning	494	-	515	329	153	293	756	-	2,540
Cash and investments - ending	$ -	$ -	$ 521	$ 1,752	$ -	$ 539	$ -	$ 2,612	$ 5,424
Cash and Investment Assets - Ending									
Cash and investments	$ -	$ -	$ 521	$ 1,752	$ -	$ 539	$ -	$ 2,612	$ 5,424
Cash and Investment Fund Balance - Ending									
Unrestricted	$ -	$ -	$ 521	$ 1,752	$ -	$ 539	$ -	$ 2,612	$ 5,424

RURAL COMMUNITY ACADEMY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended June 30, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Improvements other than buildings	$ 2,687
Machinery and equipment	221,007
Furniture and fixtures	20,495
Books	56,200
Total governmental activities, capital assets not being depreciated	$ 300,389

RURAL COMMUNITY ACADEMY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For the Year Ended June 30, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable		
Common school loans	$ 398,310	$ -
School Bus Loans	15,887	8,992
Total governmental activities debt	$ 414,197	$ 8,992

RURAL COMMUNITY ACADEMY
EXAMINATION RESULT AND COMMENT

APPROVAL OF FORMS

The School Corporation generally used forms other than prescribed or approved forms during the examination period. A similar comment appeared in previous report s.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RURAL COMMUNITY ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2010, with Susie Pierce, Treasurer. The official concurred with our finding.