



STATE OF INDIANA
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November 20, 2019

Charter School Board
Rural Community Schools, Inc.
2385 IN-63
Sullivan, IN 47882

We have reviewed the Supplemental Audit Report of Rural Community Schools, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains two audit results and comments. Management's response is on pages 5 through 7.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**SUPPLEMENTAL AUDIT REPORT
OF
RURAL COMMUNITY SCHOOLS, INC.**

SULLIVAN COUNTY, INDIANA

July 1, 2018 to June 30, 2019



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RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
School Officials
July 1, 2018 to June 30, 2019

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Meleah Sullivan	07/01/18 – 06/30/19
School Leader	Derek Grant	07/01/18 – 06/30/19
Chief Financial Officer	Leona Davis	07/01/18 – 06/30/19



Donovan CPAs

The Board of Directors
Rural Community Schools, Inc.

We have audited the financial statements of Rural Community Schools, Inc. (the “School”) as of and for the year ended June 30, 2019 and have issued our report thereon dated November 13, 2019. As part of our audit, we tested the School’s compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana
November 13, 2019

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RURAL COMMUNITY SCHOOLS, INC.

SULLIVAN COUNTY, INDIANA

Audit Results and Comments

July 1, 2018 to June 30, 2019

REQUIRED REPORTS

We reviewed both biannual Form 9 reports filed by the School for the fiscal year. Although the ending cash balance per the Form 9 agreed to the ending cash balance per the School's trial balance, individual funds did not reflect actual activity in those funds during the year. Additionally, we noted negative balances in funds that did not appear to relate to awaiting reimbursements on cost-reimbursement grants.

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which shall be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

CAPITAL ASSETS

The School did not perform an inventory of its capital assets during fiscal year 2019.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory shall be taken for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 15)

RURAL COMMUNITY SCHOOLS, INC.

SULLIVAN COUNTY, INDIANA

Exit Conference

July 1, 2018 to June 30, 2019

The contents of this report were discussed on November 13, 2019, with Meleah Sullivan (Board President), Derek Grant (School Leader), Leona Davis (Chief Financial Officer), Susie Pierce (Community Member), Dr. Robert Marra (Executive Director of Ball State University's Office of Charter Schools), Marriette Siler (Executive Coordinator of Ball State University's Office of Charter Schools), Jamie Garwood (Academic Performance Coordinator of Ball State University's Office of Charter Schools).

The official response has been made a part of this report and may be found on pages 5-7.

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Rural Community Academy
“A Public School Where Every Child Soars”
www.rcsi.k12.in.us

Physical Address
2385 N. State Road 63
Sullivan, IN 47882
Fax 812-382-4055

SBOA RESPONSE TO FINDINGS
Report Period Ending June 30, 2019

REQUIRED REPORTS

Concerns regarding the following observations are justified:

- form 9 balances
- actual activity in those fund balances
- activity that related to awaiting reimbursements on cost reimbursement
- and overdrawn fund balances

The following attachments of the DOE Biannual Receipts and Expenditures for both period show those problems in yellow highlighting and the adjustment that the school will need to made.

CAPITAL ASSETS

Findings related to an annual inventory are correct for the 2018-19 school year. The last physical inventory was in 2017. Although Equipment Inventory was provided for 2018-19 and a Capital Assets Ledger (Fixed Asset Schedule) was provided for 2018-19, a physical inventory of Furniture, Textbooks and Library Books was not completed. A Form 369 (Depreciation Schedule) was provided.

Inventory by room will be taken during the 2019-20 school year.

INDIANA DEPARTMENT OF EDUCATION
Office of School Finance
FORM 9 FINANCIAL REPORT
Summary of Receipts and Expenditures

7-1-2-2018 to 12-31-2018

Fund	Beginning Cash Balance	Receipts	Receipt Exceptions	Expenditures	Expenditure Exceptions	Ending Cash Balance	NOTES
100-General	\$573,704.91	\$550,535.19	\$0.00	\$687,204.22	\$15,288.28	\$421,747.60	OK
800-Lunchea	\$0.00	\$35,463.02	\$15,288.28	\$50,751.30	\$0.00	\$0.00	OK
900-Textbooks	-\$1.11	\$2,236.07	\$0.00	\$5,693.57	\$0.00	-\$3,458.61	awaiting reimbursement
1910-Library	\$3,777.08	\$0.00	\$0.00	\$380.00	\$0.00	\$3,397.08	OK
2300-ExCurr	\$28,060.16	\$13,163.11	\$0.00	\$19,373.19	\$0.00	\$21,850.08	OK
2900-Memberships	\$1,507.11	\$275.00	\$0.00	\$0.00	\$0.00	\$1,782.11	OK
3028-Fprm Assess	\$0.00	\$2,474.46	\$0.00	\$0.00	\$0.00	\$2,474.46	OK
3720-eRate	-\$6,159.77	\$0.00	\$0.00	\$6,382.49	\$0.00	-\$12,542.26	problem #1
3750-Teacer Apprec	\$0.00	\$3,836.58	\$0.00	\$0.00	\$0.00	\$3,836.58	was spent - applied wrong fund #
3769-High Ability	\$17,773.85	\$0.00	\$0.00	\$1,215.02	\$0.00	\$16,558.83	OK
3951-Charter Innov	\$82,207.03	\$65,000.00	\$0.00	\$19,322.43	\$0.00	\$127,884.60	OK
4100-Title I	-\$29,006.68	\$30,460.85	\$0.00	\$16,531.03	\$0.00	-\$15,076.86	awaiting reimbursement
5200-Spec Ed	-\$38,302.96	\$37,577.00	\$0.00	\$23,683.62	\$0.00	-\$24,409.58	awaiting reimbursement
6840-Title II	-\$1,928.34	\$0.00	\$0.00	\$2,520.82	\$0.00	-\$4,449.16	awaiting reimbursement
6860-REAP	\$0.00	\$0.00	\$0.00	\$16,530.87	\$0.00	-\$16,530.87	awaiting reimbursement
Total	\$631,631.28	\$741,021.28	\$15,288.28	\$849,588.56	\$15,288.28	\$523,064.00	

Problem #1

Problem #2

Erate has been messed up especially since we had to get a new provider - we will get it straighted out with adj entries to correct.

The Teacher Appreciation grant was distributed but it was left with other payroll accounts in the General Fund - we will do adj entries to correct.

INDIANA DEPARTMENT OF EDUCATION
Office of School Finance
FORM 9 FINANCIAL REPORT
Summary of Receipts and Expenditures

1-1-2019 to 6/30/2019

Fund	Beginning Cash Balance	Receipts	Receipt Exceptions	Expenditures	Expenditure Exceptions	Ending Cash Balance	NOTES
100-General	\$421,747.60	\$470,657.72	\$19,183.29	\$579,656.77	\$6,918.93	\$325,012.91	OK
800-Lunches	\$0.00	\$42,455.75	\$6,918.93	\$49,374.68	\$0.00	\$0.00	OK
900-Textbooks	-\$3,458.61	\$9,728.45	\$0.00	\$203.06	\$0.00	\$6,066.78	OK
1910-Library	\$3,397.08	\$20.00	\$0.00	\$608.39	\$0.00	\$2,808.69	OK
2300-ExCurr	\$21,850.08	\$21,522.95	\$0.00	\$17,625.15	\$0.00	\$25,747.88	OK
2900-Memberships	\$1,782.11	\$680.00	\$0.00	\$0.00	\$0.00	\$2,462.11	OK
3028-Fprm Assess	\$2,474.46	\$0.00	\$0.00	\$0.00	\$2,474.46	\$0.00	OK
3400-Early Interv	\$0.00	\$1,378.93	\$0.00	\$0.00	\$0.00	\$1,378.93	OK
3720-eRate	-\$12,542.26	\$7,000.49	\$0.00	\$5,227.48	\$0.00	-\$10,769.25	problem #1 - carryover from Dec
3750-Teacer Apprec	\$3,836.58	\$0.00	\$0.00	\$0.00	\$0.00	\$3,836.58	problem #2 - carryover from Dec
3769-High Ability	\$16,558.83	\$19,079.00	\$0.00	\$5,774.71	\$16,708.83	\$13,154.29	OK
3951-Charter Innov	\$127,884.60	\$0.00	\$0.00	\$28,120.89	\$0.00	\$99,763.71	OK
4100-Title I	-\$15,076.86	\$32,716.09	\$0.00	\$17,639.23	\$0.00	\$0.00	OK
5200-Spec Ed	-\$24,409.58	\$40,020.00	\$0.00	\$15,610.42	\$0.00	\$0.00	OK
6840-Title II	-\$4,449.16	\$5,370.42	\$0.00	\$7,976.36	\$0.00	-\$7,055.10	awaiting reimbursement
6860-REAP	-\$16,530.87	\$27,870.00	\$0.00	\$11,339.13	\$0.00	\$0.00	OK
Total	\$523,064.00	\$678,499.80	\$26,102.22	\$739,156.27	\$26,102.22	\$462,407.53	

Problem #1 See explanation above
Problem #2 See explanation above