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February 19, 2021

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 CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. 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 three 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

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

**SULLIVAN COUNTY, INDIANA**

**JULY 1, 2019 TO JUNE 30, 2020**



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**WEALTH ADVISORY  
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AUDIT, TAX, AND  
CONSULTING**

**RURAL COMMUNITY SCHOOLS, INC.  
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**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2019 TO JUNE 30, 2020**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Susie Pierce	07/01/19 – 06/30/20
School Leader	Derek Grant	07/01/19 – 06/30/20
Chief Financial Officer	Leona Davis	07/01/19 – 06/30/20
Treasurer of Board of Directors	Darin May	07/01/19 – 06/30/20



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rural Community Schools, Inc.  
Anderson, Indiana

We have audited the financial statements of Rural Community Schools, Inc. (the School) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 29, 2020. 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
December 29, 2020

**RURAL COMMUNITY SCHOOLS, INC.**  
**SULLIVAN COUNTY, INDIANA**  
**AUDIT RESULTS AND COMMENTS**  
**JULY 1, 2019 TO JUNE 30, 2020**

**CASH RECEIPTS**

The School did not maintain receipts for the cash portion of 9 of the 60 cash receipts tested. In addition, the bank deposit was not completed timely for 13 of the 60 cash receipts tested.

Receipts are required to be issued and recorded at the time a transaction occurs. For example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

All charter school money must be deposited in the designated depository no later than the business day following the receipt of funds in the same form in which the funds were received. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

**ADM TESTING**

Enrollment documents required to be maintained by the Indiana Department of Education (IDOE) include, at a minimum, birth certificates, enrollment application, and proof of residency for each student. In addition to the IDOE required documents, the School has adopted a policy requiring additional documents to be obtained at enrollment. The School uses a third party to assist with enrollment and attendance records. The process used did not result in maintaining consistent and complete enrollment records for 15 students of the 38 tested for enrollment. The 15 selections were missing the proof of residency documentation as required by the IDOE.

In addition, 37 out of the 38 selections were missing at least one of the enrollment documents required by the school's policy for enrollment.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

**CREDIT CARD TESTING**

The School did not retain supporting documentation for at least one purchase on 1 of the 5 credit card statements tested.

Supporting documents such as paid bills and receipts must be available in support of payment of credit card payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2019 TO JUNE 30, 2020**

The contents of this report were discussed on December 9, 2020, with Susie Pierce (Board President), Derek Grant (School Leader), Leona Davis (Chief Financial Officer), 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), and 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.

**Mailing Address**  
P.O. Box 85  
Graysville, IN 47852  
Phone 812-382-4500

**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

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To: State Board of Accounts  
To: Ball State University, Office of Charter Schools  
To: CliftonCarsonAllen LLC  
RE Response to June 30, 2020 Audit Findings Dated January 13, 2021

Draft financial statements and a draft supplemental audit report of Rural Community Schools, Inc. dba Rural Community Academy, as of and for the year ended June 30, 2020 have been issued audit reports dated December 9, 2020. As part of your audit, you 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 you found we were not in compliance. Below is our response to those compliance findings.

**FINDING: CASH RECEIPTS**

The School did not maintain receipts for the cash portion of 9 of the 60 cash receipts tested. In addition, the bank deposit was not completed timely for 13 of the 60 cash receipts tested.

Receipts are required to be issued and recorded at the time a transaction occurs. For example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8*)

All charter school money must be deposited in the designated depository no later than the business day following the receipt of funds in the same form in which the funds were received. (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8*)

**RESPONSE TO FINDING: CASH RECEIPTS**

The School has a new Deputy Financial Officer and the only receipts that were not maintained by the cash receipts were completed by that officer. The Chief Financial Officer has years of experience and those cash receipts were properly documented. The Deputy Financial Officer has now undergone training and understands the significance of this finding.

Deposits and receipts were not taken to the bank in a timely matter. We changed banking facilities closer to our physical location to eliminate this problem from 2017. However, physically, the closest bank is 10 miles one way (round trip cost is \$8 in reimbursement). We also have the National School Lunch Program set up for all students to provide free breakfast and lunch for all students. We also have free textbooks for all students. Both of these programs have eliminated the number of deposits we used to have.

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*"Come to the edge." "It's too high." "Come to the edge." "We might fall." "Come to the edge."  
And they came. And he pushed them. And they flew. —Apollinaire*

Two (2) of the 13 cash deposits were from adult lunches with one for \$85 which was 8 days late and one was for \$22 which was 6 days late. Eleven (11) of the 13 cash receipts that were not deposited on time were extra-curricular accounts. The problem is that the teacher or sponsor of the event must prepare a Request for Deposit which shows all receipts and by whom. When an extra-curricular event such as 4<sup>th</sup> grade field trip or volleyball is collected, the daily totals end up in a bag in the safe but until the entire accounting process is completed by the teacher or sponsor, the amount and the proper processing of Request for Deposit is not completed until that time.

In other words, a parent writes a check for a Beta Club trip on a certain date but until all of the funds come in, the responsible party does not complete the proper paperwork and hands the entire funds over to the Chief Financial Officer or the Deputy. If we took every \$2.50 or \$10.00 amount that comes in to the bank every day, it would cost more money and is not a responsible use of our time, talent or treasury.

In the past we have tried to use good judgment when to go to the bank. We choose every Friday and, as small as the deposits are and with the limited bonded people we have, it doesn't make sense to go every day. We will request that our authorizer, Ball State University, help us to develop a timeline which will meet our obligations with as little disruption as possible to the responsibilities of the two administrators who have the ability to make those deposits. The Chief Financial Officer also manages the office and monitors bus routes when parents do not show up or in the event of a breakdown while the School Leader/Deputy Financial Officer is also a bus driver. It limits the time available to comply with deposits every day and stretches us even once a week.

#### **FINDING: ADM TESTING**

Enrollment documents required to be maintained by the Indiana Department of Education (IDOE) include, at a minimum, birth certificates, enrollment application, and proof of residency for each student. In addition to the IDOE required documents, the School has adopted a policy requiring additional documents to be obtained at enrollment. The School uses a third party to assist with enrollment and attendance records. The process used did not result in maintaining consistent and complete enrollment records for 15 students of the 38 tested for enrollment. The 15 selections were missing the proof of residency documentation as required by the IDOE.

In addition, 37 out of the 38 selections were missing at least one of the enrollment documents required by the school's policy for enrollment.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

#### **RESPONSE TO FINDING: ADM TESTING**

The audit was prepared for the period from July 1, 2019-June 30, 2020. The new compliance was issued in May, 2019 and was confusing to charter schools as a new compliance was issued two weeks after the registration process was complete and two weeks before the September 2020 count day. Since the compliance was not understood until after June 30, 2020.

We now understand and will do our best to meet compliance for ADM testing.

#### **FINDING: CREDIT CARD TESTING**

The School did not retain supporting documentation for at least one purchase on 1 of the 5 credit card statements tested.

Supporting documents such as paid bills and receipts must be available in support of payment of credit card payments (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**RESPONSE TO FINDING: CREDIT CARD TESTING**

We were not compliant in credit card testing. Administration was aware of the missing documentation as they have been trained in such matters. Administration contacted the credit card company and received no receipt. Administration was unaware of contacting the actual company for those kinds of records and now understands how to obtain the documentation when receipts are lost.



Derek Grant, School Leader and Deputy Financial Officer



Leona Davis, Chief Financial Officer



Susie Pierce, President, RCSI

