



**STATE OF INDIANA**  
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January 26, 2022

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, 2020 to June 30, 2021. 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. Pages 3 through 4 contain four audit results and comments. Management's response is on pages 6 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, 2020 TO JUNE 30, 2021**



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**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
SCHOOL OFFICIALS  
JULY 1, 2020 TO JUNE 30, 2021**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Susie Pierce	07/01/20 – 06/30/21
School Leader	Derek Grant	07/01/19 – 06/30/21
Chief Financial Officer	Leona Davis	07/01/19 – 06/30/21
Treasurer of Board of Directors	Darin May	07/01/19 – 06/30/20



CliftonLarsonAllen LLP  
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## 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, 2021, and have issued our report thereon dated December 2, 2021. 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 2, 2021



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**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
AUDIT RESULTS AND COMMENTS  
JULY 1, 2020 TO JUNE 30, 2021**

**ADM TESTING**

The following issues were noted in completing ADM testing of forty (40) students:

- Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE) and the School's enrollment policy for each student.
  - The process used did not result in maintaining consistent and complete enrollment records as identified in the School's enrollment policy for nine (9) of the forty (40) students tested for enrollment.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.), which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

**REQUIRED REPORTS - FORM 9 REPORTING**

The Form 9 Biannual Financial Report is submitted by the School to the Indiana Department of Education (IDOE) two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information and shall be reported utilizing the State Board of Accounts prescribed chart of accounts. The School submitted both Form 9s in the required time; however, the June 30, 2021 Form 9 cash balance was not accurate, but the difference was within a trivial amount and does not require correction. This is non-compliance with the requirements set forth by the SBOA.

Charter Schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information and shall be reported utilizing the State Board of Accounts prescribed chart of accounts. The January report must include previous calendar year financial information and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

**CONFLICT OF INTEREST**

The Chief Operating Officer owns a side business to provide certain services to the School (DGS (Dirt, Gravel, and Snow)). During the year, DGS provided services to the School one time for certain parking lot grading services; however, a conflict-of-interest forms was not filed.

Conflict of Interest statements are required to be provided to the School and to the Indiana State Board of Accounts (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 13).

**RURAL COMMUNITY SCHOOLS, INC.**  
**SULLIVAN COUNTY, INDIANA**  
**AUDIT RESULTS AND COMMENTS**  
**JULY 1, 2020 TO JUNE 30, 2021**

**INTERNAL CONTROLS – JOURNAL ENTRIES**

We noted a significant deficiency in our testing of internal control. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the entity's internal control to be a significant deficiency:

- *Journal Entry Processing:* Two (2) errors were noted from the five (5) journal entries selected for testing. One was for an incorrect classification of an entry and the other was that supporting documentation for an entry was missing an approval on the supporting invoice; however the related cash disbursement was properly approved. This could result in a material misstatement to the financial statement if transactions are not properly classified and approved.

Indiana Code 20-24-7-1 requires each charter school to report on the generally accepted accounting principles (GAAP) basis of accounting, which requires internal controls to be established by the school to ensure accurate financial reporting.

**RURAL COMMUNITY SCHOOLS, INC.  
SULLIVAN COUNTY, INDIANA  
EXIT CONFERENCE  
JULY 1, 2020 TO JUNE 30, 2021**

The contents of this report were discussed on October 11, 2021, with Susie Pierce (Board President), and on October 15, 2021 with Derek Grant (School Leader). The official response has been made a part of this report and may be found starting on page 6.



**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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Management Response to SBOA Report:

ADM Testing:

In 2019- 20 a memo was received from the IDOE after the school year began that a proof of residency in the form of official mail was to be obtained for each student. This is a practice that had not been implemented in prior years at Rural Community Academy, though addresses were obtained in the application process. Great lengths were taken to encourage parents to send in proof of residency throughout the year, from letters being sent home, weekly school outreach calls with reminders, to even calling individual families and going to their house to retrieve said “proof” of residency. The cases where proof of residencies were not filed are from families that withdrew before the second count in February or are habitual offenders when it comes to getting paperwork, and even though all other paperwork was turned in for them, there was not an official piece of mail to “prove” their residency. RCA has made it a policy to require a proof of residency, birth certificates and an application at time of enrollment. Except when a child is considered homeless under the McKinney-Vento act and students are allowed to start immediately, even without the proper documentation.

Form – 9

Over the last year, the School Leader, through training has taken a more active role in monitoring all accounts to be prepared for the Form -9 twice a year. With extra monitoring throughout each form – 9 time period, instead of turning items over just before the deadline to the CPA firm, errors will hopefully be caught in a timely manner with increased likelihood of correction.

Conflict of Interest:

The School Leader owns a tractor with equipment to do such tasks as grading, mowing, tilling and various loader work. It was becoming evident that our gravel parking lot was going to need regraded due to the compaction of stone over time. The options were to regrade, or add new stone. The previous contractor was contacted to see if he was available to grade the parking lot (a much less expensive alternative to adding new stone). The previous contractor was not available and would not be able to be available before winter months started setting in, making the parking lot a much greater hazard with freezing puddles.

The School Leader, knowing what the previous contractor was paid, agreed to do the job that needed done for the same amount of money. For the 2021-22 school year the School Leader filled out a conflict of interest statement. Stating, “I will occasionally perform other maintenance/contractor work for the school, such as grading the parking lot.” Signed August 6<sup>th</sup> 2021.

During the audit process, the job did not even register as something to report to the auditors as a conflict of interest until it was brought up after the fact as something that should have been reported. The School Leader will continue to perform duties outside of his job description for free when able, but will ask for compensation when another contractor cannot be found and when financial and physical wear and tear is to be had on the school leader’s personal equipment.

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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*

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Management Response in regards to Internal Controls:

Due to confusion on classification of PPP loan which was forgiven on 10/5/21, information has been sent to CPA firm on the finding for corrective action in the future as they will make any changes or edits to entries.

The one item that was missing an approval was shown to another authorized administrator to approve, because it involved a payment to the School Leader. However, she was unaware of the way that the School Leader shows authorization for all approvals, and did not write her name or initials on the paper as an approval. The School Leader then did not follow up to make sure she had initialed in the same way once it was given back to the CFO to write the check and sign, along with the other administrator’s signature, which constitutes approval. Because of this, all authorized administrators have been shown how approvals are made by the school leader so as to be consistent. Furthermore, writing “OK [Approvers Initials]” is not a required practice according to internal controls, but is one that is done by the School leader for his own documentation before forwarding onto the CFO to review and pay. All payments are required two signatures, again constituting two approvals.

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