



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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March 11, 2024

Charter School Board
Herron High School, Inc.
d/b/a Herron Classical Schools
Marion County, Indiana

We have reviewed the Supplemental Audit Report for Herron High School, Inc. d/b/a Herron Classical Schools prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. 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 on pages 3 and 4. Management's response is on pages 6 through 8.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

SUPPLEMENTAL AUDIT REPORT
OF
HERRON HIGH SCHOOL, INC.
d/b/a HERRON CLASSICAL SCHOOLS

MARION COUNTY, INDIANA

July 1, 2022 to June 30, 2023



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HERRON HIGH SCHOOL, INC.
d/b/a HERRON CLASSICAL SCHOOLS
MARION COUNTY, INDIANA
School Officials
July 1, 2022 to June 30, 2023

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chair of Board of Directors	Dan Roy	07/01/22 – 06/30/23
Chief Financial Officer	Juli Woodrum	07/01/22 – 06/30/23
President	Janet H. McNeal	07/01/22 – 06/30/23



Donovan CPAs

The Board of Directors
Herron High School, Inc.

We audited the consolidated financial statements of Herron High School, Inc. d/b/a Herron Classical Schools and its Wholly-Owned Subsidiaries as of and for the year ended June 30, 2023 and issued our report thereon dated February 29, 2024. As part of our audit, we tested the Herron High School's, Herron Preparatory Academy's, and Herron Riverside High School's (collectively, the "School") 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 we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana
February 29, 2024

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HERRON HIGH SCHOOL, INC.
d/b/a HERRON CLASSICAL SCHOOLS
MARION COUNTY, INDIANA
Audit Results and Comments
July 1, 2022 to June 30, 2023

REQUIRED REPORTS – FORM 9 REPORTING

We reviewed the biannual Form 9 reports filed by the School to the Indiana Department of Education for the 2022-2023 school year. Individual fund balances and the total cash reported on the June 30, 2023 Form 9s did not reflect actual balances in line with the School’s accounting records. A similar comment also appeared in the immediately prior Supplemental Audit Report entitled “Required Reports – Form 9 Reporting”.

Additionally, the total cash balances per the Form 9s were more than actual cash per the School’s trial balance by \$385,310.

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. The January report must include previous calendar year financial 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)

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)

REQUIRED REPORTS – ANNUAL FINANCIAL REPORT

The School did not submit its Annual Financial Reports (“AFRs”) within 60 days following its fiscal year end. The AFRs were submitted in November 2023. A similar comment also appeared in the immediately prior Supplemental Audit Report entitled “Required Reports – Annual Financial Report”.

Charter schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year. (IC 5-11-1-4)

HERRON HIGH SCHOOL, INC.
d/b/a HERRON CLASSICAL SCHOOLS
MARION COUNTY, INDIANA
Audit Results and Comments
July 1, 2022 to June 30, 2023

CAPITAL ASSETS

The School maintains an inventory of only technology equipment. The School was unable to provide record that a complete inventory was taken. The same comment also appeared in the immediately prior Supplemental Audit Report entitled “Capital Assets”.

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 Asset 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)

TICKET SALE PROCEDURES

The School does not utilize pre-numbered tickets or the ticket sales report (Form SA-4) to track tickets sold and reconcile cash received to amounts deposited. The same comment also appeared in the immediately prior Supplemental Audit Report entitled “Ticket Sale Procedures”.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered., with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school’s receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

HERRON HIGH SCHOOL, INC.
d/b/a HERRON CLASSICAL SCHOOLS
MARION COUNTY, INDIANA
Exit Conference
July 1, 2022 to June 30, 2023

The contents of this report were discussed on February 29, 2024 with Janet McNeal (President), Michelle Krauter (Director of Accounting & Finance), Juli Woodrum (former Chief Financial Officer) and members of the Board of Directors. The Official Response has been made a part of this report and may be found on pages 6 through 8.



HERRON HIGH SCHOOL • HERRON-RIVERSIDE HIGH SCHOOL • HERRON PREPARATORY ACADEMY

February 25, 2024

Donovan CPAs
9292 N. Meridian Street
Suite 150
Indianapolis, IN 46260

Re: OFFICIAL RESPONSE

To Whom It May Concern:

As an official response to recommendations provided in the Supplemental Audit Report that accompanies the audit report of Herron High School, Inc. for the year ended June 30, 2023, management respectively submits the following response to your recommendations:

Required Reports – Form 9 Reporting

Auditor Comment We reviewed the biannual Form 9 reports filed by the Organization to the Indiana Department of Education for the 2022-2023 school year. Individual fund balances and the total cash reported on the June 30, 2023 Form 9s did not reflect actual balances in line with the Organization’s accounting records. Additionally, the total cash balances per the Form 9s were more than actual cash per the Organization’s trial balance by \$385,310.

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. The January report must include previous calendar year financial 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)

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)

Management Response The financials for the Organization are prepared on an accrual-basis. The preparation of the Form 9 requires a manual conversion of accrual to cash. The reconciliation process documents that total revenues and expenses tie to the financial statements presented to the board of directors. Revenue reported on the financial statements is converted to actual cash receipts by reconciling the grants receivable. However, the manual process of converting expenses has become tedious and cumbersome as the organization has grown. As it is a manual process, there is significant risk that the

conversion would not be accurate and complete. To ensure that all expenses are reported, the conversion of expenses is limited to accrued payroll.

Required Reports – Annual Financial Report

Auditor Comment The School did not submit its Annual Financial Reports (“AFRs”) within 60 days following its fiscal year end. The AFRs were submitted in November 2023.

Charter schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year (IC 5-11-1-4).

Management Response The delay in the submission of the AFR for FY2023 was due to the delay in the execution of the contract of a significant federal grant by the Indiana Department of Education. As the contract was not signed until after June 30, 2023 but included expenditures prior to that date, the organization did not reclass expenditures to the grant until the grant was executed in late October 2023. Once the expenditures were reclassified, management filed the a complete AFR.

Capital Assets

Auditor Comment The Organization maintains an inventory of only technology equipment. The Organization was unable to provide record that a complete inventory was taken.

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 Asset 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)

Management Response All organization assets are maintained in the fixed asset module of Sage Intacct. In addition, the technology department implemented a location software for all devices, resulting in a real-time inventory process. The assignment of devices is taken with the deployment at the beginning of the school year. The assignment in the location software resets the inventory process.

Ticket Sale Procedures

Auditor Comment The Organization does not utilize pre-numbered tickets or the ticket sales report (Form SA-4) to track tickets sold and reconcile cash received to amounts deposited.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered., with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school’s receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Management Response Herron High School began to sell tickets exclusively through Eventlink and can produce the required information through that system. The Business Office will work with the athletic department at Herron-Riverside High School to implement a similar process.

We appreciate the recommendations provided by your team.

Respectfully,

A handwritten signature in cursive script that reads "Michelle Krauter".

Michelle Krauter
Director, Accounting & Finance