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January 15, 2021

Charter School Board
Circle City Preparatory, Inc.
4002 N Franklin Rd.
Indianapolis, IN 46226

We have reviewed the Supplemental Audit Report for Circle City Preparatory, Inc. prepared by Donovan CPAs, 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. Pages 3 through 4 contain four audit results and comments. Management's response is on page 6.

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
CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

July 1, 2019 to June 30, 2020



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CIRCLE CITY PREPARATORY, INC.

MARION 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	Mandy Parris	07/01/19 – 06/30/20
Head of School	Megan Murphy	07/01/19 – 06/30/20
Treasurer of Board of Directors	Alexis Sowder	07/01/19 – 06/30/20



Donovan CPAs

The Board of Directors
Circle City Preparatory, Inc.

We have audited the financial statements of Circle City Preparatory, Inc. (the “School”) as of and for the year ended June 30, 2020 and have issued our report thereon dated December 15, 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.

DONOVAN

Indianapolis, Indiana
December 15, 2020

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CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2019 to June 30, 2020

RECEIPTS AND DEPOSITS

We selected a sample of forty receipts for testing. None of the receipts tested were deposited timely. These deposits ranged from \$3 to \$90 and were made between 13 and 290 days from the date of receipt.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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. The School reported negative balances in the following funds that did not pertain to awaiting reimbursements:

<u>Fund #</u>	<u>Negative Balance</u>
200	\$ 21,779
300	329,423
5200	13,896
5800	1,612
7942	4,725
7963	49,816

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)

CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2019 to June 30, 2020

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

During our audit, we identified numerous adjustments to the trial balance originally presented to us by School management that, individually and in the aggregate, represented a material effect on the financial statements. These adjustments affected the following sections of the financial statements as of and for the year ended June 30, 2020:

• Increase to current assets	\$	116,661
• Increase to current liabilities		43,008
• Increase to beginning of year net assets		40,078
• Increase to the 2020 change in net assets		33,575

Since the adjustments were material, we believe the underlying deficiency could be pervasive to the entire financial statements and thus rises to the level of a material weakness.

The charter school’s accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason of the entry and must show an evidence of supervisory approval. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 8).

VENDOR DISBURSEMENTS

The Board of Directors did not review cash disbursements on a monthly basis. In addition, in our selection of twenty-five disbursement, three disbursements for amounts of \$27,546, \$15,246, and \$14,665 did not have board approval for amounts over \$10,000. In this same selection, two disbursements for amounts of \$162 and \$157 did not have a corresponding voucher.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: Charter schools may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

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 Charter Schools, Part 10)

CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Exit Conference

July 1, 2019 to June 30, 2020

The contents of this report were discussed on December 15, 2020, with Courtney Eckerle (Director of Operations), Alexis Sowder (Board Treasurer), and Brian Anderson (Outsourced Consultant). The official response has been made a part of this report and may be found on page 6.



CIRCLE CITY PREPARATORY CHARTER SCHOOL

December 16, 2020

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

Circle City Prep has or will take the following actions to address the FY2020 supplemental audit report comments:

1. As we continue growing in our fourth year of operations, we have improved our cash receipts process and we have added staff. With the added capacity, we have the ability for staff to get to the bank during business hours more often. This allows us to deposit funds received in a more timely manner.
2. We will seek ways to better align individual fund cash reporting with the accrual adjustments and retroactive reimbursements that can make that challenging. We will continue to manage the differences in timing and required reporting that exist for charter schools in the state of Indiana. As part of that, we will monitor our cash basis fund reporting on our Form 9 submission and adjust as necessary. Adjustments are typically required when we either make accrual-based receivable and payable adjustments or when we receive retroactive grant budget approvals after a reporting deadline has already passed. We will continue working with the Indiana Department of Education to adjust lingering Form 9 negative fund balances that remain from prior years.
3. We do not agree with the third finding. Charter schools in Indiana are required to prepare financial statements in accordance with United States Generally Accepted Accounting Principles and are simultaneously required to design an accounting system to meet Indiana State Board of Accounts requirements for public schools. Those requirements are used to prepare financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, we believe the accrual-based adjustments, which in this case only reflected differences in how revenue is recorded between these two different accounting practices, do not indicate a material weakness.
4. We will better document our practice of approving all vendor disbursements in accordance with our policy.

Sincerely, Circle City Preparatory, Inc. Management