



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B58214

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

December 30, 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, 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 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, 2020 to June 30, 2021



TABLE OF CONTENTS

	Page
School Officials	1
Transmittal Letter	2
Audit Results and Comments:	
Receipts and Deposits	3
Required Reports – Form 9 Reporting	3
Required Reports – Negative Fund Balances	4
Vendor Disbursements	4
Exit Conference	5
Official Response	6

CIRCLE CITY PREPARATORY, INC.

MARION 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	Mandy Parris	07/01/20 – 06/30/21
Head of School	Megan Murphy	07/01/20 – 06/30/21
Treasurer of Board of Directors	Alexis Sowder	07/01/20 – 06/30/21



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, 2021 and have issued our report thereon dated November 29, 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.

DONOVAN

Indianapolis, Indiana
November 29, 2021

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2020 to June 30, 2021

RECEIPTS AND DEPOSITS

We selected a sample of forty receipts for testing. Thirty-three of the receipts tested were not deposited timely. These deposits ranged from \$1 to \$144 and were made between 6 and 113 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 – FORM 9 REPORTING

We reviewed both biannual Form 9 reports filed by the School to the Indiana Department of Education 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.

A fund, as used in the manual, represents money set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3)

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, 2020 to June 30, 2021

REQUIRED REPORTS – NEGATIVE FUND BALANCES

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

<u>Fund #</u>	<u>Negative Balance</u>
7931	\$ 28,197
7942	4,953
7963	37,637

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)

VENDOR DISBURSEMENTS

The Board of Directors did not review cash disbursements on a monthly basis.

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)

CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Exit Conference

July 1, 2020 to June 30, 2021

The contents of this report were discussed on November 22, 2021, with Courtney Eckerle (Director of Operations), Megan Murphy (Head of School), Alexis Sowder (Treasurer), and Brian Anderson (Outsourced Consultant). The official response has been made a part of this report and may be found on page 6.



November 29, 2021

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

Circle City Prep will address the FY2021 supplemental audit report comments:

1. The FY2021 school year was during a pandemic. Our operating environment changed weekly, if not daily, during this school year. We will continue to try to meet the requirement of depositing funds within 24 hours of receipt. For perspective, this finding relates to 0.01% of all funds that flow through CCP. Another way to look at this is that literally 99.9% of all funding that CCP received was deposited in a timely manner. We will strive for perfection during the FY2022 pandemic school year.
2. We will continue to submit Form 9 information on time and reconcile to our cash position. We continue to seek ways to better align individual fund cash reporting with the accrual adjustments and retroactive reimbursements that can make that challenging. We improved a great deal in FY2021.
 - a. This singular finding is split in two. We have searched other traditional school corporation SBOA findings and have not been able to find a similar example of one finding being broken out into two. For the first part of the finding, we will continue to comply with all grant agreements. The activity within funds is different on a cash basis vs an accrual basis. This basic accounting principle is not captured with the limited Form 9 data collection capabilities at the state.
 - b. The second part of this same finding shows minor negative cash balances in Federal ESSER funds. Some eligible expenses were coded to ESSER funds, but reimbursement has not yet been requested. There is a possibility that wise management of public funds will necessitate us requesting reimbursement for different allowable ESSER expenditures than originally planned. This is perfectly allowable. It is due to varying flexibility in sources of revenue and updates in guidance regarding the use of ESSER funds. We don't see the small negative cash balance reporting as an indication of anything other than wise management of grant funds. We will continue to comply with all grant agreements.
3. The Board will continue to review cash disbursements on a monthly basis. We will improve our documentation of that.

Sincerely,

Circle City Preparatory, Inc. Management