

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

INDIANAPOLIS PUBLIC SCHOOLS  
MARION COUNTY, INDIANA

July 1, 2016 to June 30, 2017



**FILED**  
05/29/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Weston Young	07-01-16 to 12-31-18
Superintendent of Schools	Dr. Lewis D. Ferebee	07-01-16 to 06-30-18
President of the School Board	Mary Ann Sullivan Michael O'Connor	07-01-16 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Indianapolis Public Schools (School Corporation), which comprises the financial position and results of operations for the year ended June 30, 2017, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement 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.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the year ended June 30, 2017.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the year ended June 30, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedule of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

May 18, 2018



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Indianapolis Public Schools (School Corporation), which comprises the financial position and results of operations for the year ended June 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated May 18, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

May 18, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended June 30, 2017

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
General	\$ 52,879,784	\$ 230,570,985	\$ 251,413,212	\$ 1,136,261	\$ 33,173,818
Debt Service	21,760,664	27,213,623	32,903,474	(506,641)	15,564,172
Retirement/Severance Bond Debt Service	1,394,603	2,469,222	2,879,747	-	984,078
Referendum Debt Exempt Capital	11,851,674	15,433,628	17,775,000	-	9,510,302
Capital Projects	24,040,428	37,048,705	37,807,675	7,541	23,288,999
School Transportation	4,050,216	35,287,393	34,059,735	313,209	5,591,083
School Bus Replacement	4,690,477	9,657,412	13,750,219	-	597,670
Rainy Day	19,106,081	-	186,185	-	18,919,896
Retirement/Severance Bond	8,216,309	-	541,913	-	7,674,396
Construction	18,426	30	18,456	-	-
Construction GOB	25,325	41	25,366	-	-
Construction 2003 Series	86,372	139	86,511	-	-
Construction 2004 Series	3,069	5	3,074	-	-
Construction 2006 Series	53,010	85	53,095	-	-
Construction 2006B Series	622,975	913	623,888	-	-
Construction 2009 Series A	56,982	85	57,067	-	-
Construction 2009 Series B	285,005	458	285,463	-	-
Construction 2010 Series A	262,553	365	262,918	-	-
Construction 2010 Series B	32,111	52	32,163	-	-
School Lunch	29,821,173	21,858,749	25,735,539	1,226	25,945,609
Textbook Rental	(861,612)	56,779,101	55,455,485	378,797	840,801
Self-Insurance	(1,927,412)	42,770,568	39,377,494	-	1,465,662
Levy Excess	-	97,749	-	(97,749)	-
Alternative Education	4,753,685	1,188,309	2,637,255	-	3,304,739
SAFE School Haven	(345)	-	29,745	-	(30,090)
Early Intervention Grant	188,516	170,229	154,045	-	204,700
Trust Funds (Limited)	2,548,175	457,116	7,534	-	2,997,757
Trust Funds (Endowed)	324,526	45,159	(7,077)	-	376,762
Sallie Mae Foundation	(56,524)	-	-	-	(56,524)
Instructional Support	9,901	-	-	-	9,901
IPS Foundation	33,104	-	-	-	33,104
Lilly Endowment Funds	89,996	50,000	14,812	-	125,184
M.A. Rooney Foundation	(155,554)	186,843	231,365	-	(200,076)
University of Indianapolis	26,556	-	-	-	26,556
Butler University	-	14,550	-	-	14,550
New Teacher Project, Inc.	(199)	-	-	-	(199)
Ball State University	8,006	-	-	-	8,006
Indiana State University	1,969	-	-	-	1,969
Indiana University	49,024	13,900	2,625	-	60,299
Purdue University	825	-	-	-	825
Adult and Continuing Education	507	-	-	-	507
Extra-Curricular Activities	200	-	-	-	200
Extra Curricular Funds	254,830	-	(113)	-	254,943
Central Indiana Community Foundation	464,090	183,750	376,563	-	271,277
Arts Council of Indianapolis	2,066	-	-	-	2,066
Dance Kaleidoscope	6,083	-	-	-	6,083
Safe Passage Grant	1,197	-	-	-	1,197
Cristel Dehann Family Foundation	353	-	-	-	353
Indiana Family Health Council	(18,194)	-	31,947	-	(50,141)
United Way Foundation	196,895	95,862	227,036	-	65,721
Lumina Foundation	12,475	-	146	-	12,329
Reilly Foundation	15,066	-	-	-	15,066
School Insurance Fund	3,000	-	-	-	3,000
Closed School Maintenance	553,660	-	-	-	553,660
Contractors Escrow	637,104	-	-	-	637,104
Lowe's Foundation	9,996	-	-	-	9,996
AllState Foundation	10,000	-	-	-	10,000
Miscellaneous Programs	455,398	763,408	548,312	(938)	669,556
IEA President's Fund	(18,558)	61,864	77,730	-	(34,424)
MIS Recycle Fund	551	-	551	-	-

INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended June 30, 2017

Fund	Cash and Investments 07-01-16	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-17
Minority Awareness Summit	208	-	-	-	208
Academic Summer School Program	19,949	-	-	-	19,949
CPR Classes	13,713	3,513	3,507	-	13,719
Intel ISEF Middle School After	7,490	-	-	-	7,490
CIESC	16,778	-	-	-	16,778
Information Technology	54,168	-	-	-	54,168
Formative Assessment	(76,389)	346,139	169,136	-	100,614
Gifted and Talented	51,031	146,537	123,086	-	74,482
High School Graduation Coaches	(113,570)	-	-	-	(113,570)
Teacher Quality Improvement Program	2,000	-	-	-	2,000
Step Ahead	4,295	-	-	-	4,295
Drug Free Communities	(3,744)	-	16,697	-	(20,441)
Early Education Matching Grant	-	114,373	-	-	114,373
Medicaid Reimbursement	76,577	(17,401)	-	-	59,176
Welfare Activities	(66,993)	-	-	-	(66,993)
School Logo Uniform	217	-	-	-	217
Non-English Speaking Programs	434,705	934,789	895,359	-	474,135
School Technology	1,994,679	832,389	97,782	-	2,729,286
Technology Plan Buddy	1,050	-	-	-	1,050
Career and Technical Performance Grant	-	41,261	18,803	-	22,458
Performance Based Awards	(43,563)	490,538	446,975	-	-
Indiana School Academic Improvement Program (ISAIP)	25,495	-	772	-	24,723
Build Indiana Fund	3,408	-	-	-	3,408
GQE Remediation	391,856	-	163,057	-	228,799
Energy Grant	32,861	-	-	-	32,861
Expanding World Languages	1,292	-	-	-	1,292
Professional Development	299,421	214	179,427	-	120,208
Safe Routes to School Grant	29	-	4,362	-	(4,333)
Title I	237,267	256,236	126,624	-	366,879
Title I Compensatory Education(a)	(705,084)	19,965,125	21,777,348	(215,459)	(2,732,766)
Title I School Improvement	285	808,272	1,350,491	-	(541,934)
Title I Delinquent	(939)	-	-	-	(939)
Title I Comprehensive School	(6,930)	-	13,907	-	(20,837)
Title I SI Turn Around Grant	(1,565)	651,236	658,747	-	(9,076)
Refugee Child Assistance	-	6,030	6,918	-	(888)
Stewart Homeless Assistance Act	4,164	70,589	75,327	-	(574)
IDEA	(1,160,017)	7,595,847	8,593,649	-	(2,157,819)
Preschool Handicap	(17,375)	243,535	251,587	-	(25,427)
Adult Basic Education	4,422	-	-	-	4,422
IPIC - Adult Basic Education	(64)	-	-	-	(64)
Carol M White Physical Education	12,342	-	-	-	12,342
Project Peace	(12,244)	-	-	-	(12,244)
Impact Aid	114,028	-	-	-	114,028
Magnet Funds	4,037	-	4	-	4,033
Emergency Response Planning	8,287	-	867	-	7,420
Vocational and Technology Board Grants	(43,856)	1,026,242	1,051,321	-	(68,935)
Workforce Development School to Work	35,415	-	-	-	35,415
Medicaid Reimbursement - Federal	508,991	957,980	544,209	-	922,762
21st Century Learning Center	1,124	-	-	-	1,124
Improving Teacher Quality, No Child Left, Title II, Part A	(335,953)	2,868,801	2,686,315	-	(153,467)
ITQ, Enhanced Education Through Technology, Title II, Part D	8,308	-	-	-	8,308
Title III - English Proficiency Migrant	(44,535)	674,306	750,673	-	(120,902)
Title II Part B Math and Science Partnership	-	-	47,807	-	(47,807)
Payroll Clearing Funds	7,747,579	97,857,915	104,617,493	-	988,001
Warehouse Clearing Funds	3,497,023	2,018,940	2,094,710	-	3,421,253
Totals	<u>\$ 199,858,266</u>	<u>\$ 620,313,703</u>	<u>\$ 664,433,115</u>	<u>\$ 1,016,247</u>	<u>\$ 156,755,101</u>

The notes to the financial statement are an integral part of this statement.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

In 2014, state legislators approved a law that enabled school districts across the state with the authority to create Innovation Network Schools. These schools are able to operate with the authority to make decisions about all aspects of their school - both academic and operational - and are held accountable by the school district for agreed-upon student outcomes. The purpose of innovation schools is to allow the district - and schools within the district - the additional flexibility to make decisions based on the specific needs of a school's student body.

In Indianapolis Public Schools, there are four pathways a school may take to become an innovation school:

1. launch as a new innovation school
2. launch as an innovation charter school
3. restart an existing chronically underperforming school as an innovation school
4. convert an existing high-performing school as an innovation school

Innovation Network Schools are an important part of the School Corporation's mission of ensuring an excellent school in every neighborhood.

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Local sources.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, and revenue for or on behalf of the School Corporation.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, contracted services, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

**F. Other Financing Sources and Uses**

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the School Corporation are sold.

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to April 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**B. Teachers' Retirement Fund**

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

**Note 7. Negative Receipts and Disbursements**

The financial statement contains some negative receipts and disbursements, which are generally the result of adjustments (recoding entries) related to prior periods.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficit cash balances. These typically reflect expenditures related to reimbursable federal, state, or private grants. Several funds with negative cash balances at June 30, 2017, were subsequently reimbursed and closed with a zero balance.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9. Restatements**

For the year ended June 30, 2018, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of June 30, 2017	Prior Period Adjustment	Balance as of July 1, 2017
General	\$ 54,648,674	\$ (1,768,890)	\$ 52,879,784
Innovation Schools	(488,873)	488,873	-

**Note 10. Holding Corporation**

The School Corporation has entered into a series of capital leases with IPS Multi-School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the fiscal year 2017 totaled \$50,455,000.

**Note 11. Innovation Schools**

Beginning July 1, 2015, as authorized by state statute, the School Corporation has entered into agreements with school management teams to reconstitute and operate eligible schools as an Innovation Network School or an Innovation Network Charter School. The school management teams operate as independent contractors to the School Corporation to provide instruction and education services as outlined in the respective agreements. Eligible funds are received and reported as revenue by the School Corporation and disbursed pursuant to an agreement with the independent contractor. The disbursements are categorized as part of "Instruction Disbursements."

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	General	Debt Service	Retirement/ Severance Bond Debt Service	Referendum Debt Exempt Capital	Capital Projects	School Transportation
Cash and investments - beginning	\$ 52,879,784	\$ 21,760,664	\$ 1,394,603	\$ 11,851,674	\$ 24,040,428	\$ 4,050,216
Receipts:						
Local sources	4,547,696	27,213,623	2,469,222	15,433,628	37,015,175	35,271,900
State sources	225,562,272	-	-	-	-	-
Federal sources	358,733	-	-	-	-	-
Other	102,284	-	-	-	33,530	15,493
Total receipts	230,570,985	27,213,623	2,469,222	15,433,628	37,048,705	35,287,393
Disbursements:						
Instruction	165,782,531	-	-	-	-	-
Support services	82,816,626	-	-	-	25,990,970	34,059,735
Noninstructional services	2,801,235	-	-	-	-	-
Facilities acquisition and construction	6,626	-	-	-	11,816,705	-
Debt service	6,194	32,903,474	2,879,747	17,775,000	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	251,413,212	32,903,474	2,879,747	17,775,000	37,807,675	34,059,735
Excess (deficiency) of receipts over disbursements	(20,842,227)	(5,689,851)	(410,525)	(2,341,372)	(758,970)	1,227,658
Other financing sources (uses):						
Sale of capital assets	1,136,550	-	-	-	7,541	-
Transfers in	-	-	-	-	-	313,209
Transfers out	(289)	(506,641)	-	-	-	-
Total other financing sources (uses)	1,136,261	(506,641)	-	-	7,541	313,209
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,705,966)	(6,196,492)	(410,525)	(2,341,372)	(751,429)	1,540,867
Cash and investments - ending	\$ 33,173,818	\$ 15,564,172	\$ 984,078	\$ 9,510,302	\$ 23,288,999	\$ 5,591,083

INDIANAPOLIS PUBLIC SCHOOLS  
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	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Construction	Construction GOB	Construction 2003 Series
Cash and investments - beginning	\$ 4,690,477	\$ 19,106,081	\$ 8,216,309	\$ 18,426	\$ 25,325	\$ 86,372
Receipts:						
Local sources	9,657,412	-	-	30	41	139
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	9,657,412	-	-	30	41	139
Disbursements:						
Instruction	-	-	385,626	-	-	-
Support services	13,750,219	186,185	156,287	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	18,456	25,366	86,511
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	13,750,219	186,185	541,913	18,456	25,366	86,511
Excess (deficiency) of receipts over disbursements	(4,092,807)	(186,185)	(541,913)	(18,426)	(25,325)	(86,372)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,092,807)	(186,185)	(541,913)	(18,426)	(25,325)	(86,372)
Cash and investments - ending	\$ 597,670	\$ 18,919,896	\$ 7,674,396	\$ -	\$ -	\$ -

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
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	Construction 2004 Series	Construction 2006 Series	Construction 2006B Series	Construction 2009 Series A	Construction 2009 Series B	Construction 2010 Series A
Cash and investments - beginning	\$ 3,069	\$ 53,010	\$ 622,975	\$ 56,982	\$ 285,005	\$ 262,553
Receipts:						
Local sources	5	85	913	85	458	365
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	5	85	913	85	458	365
Disbursements:						
Instruction	-	-	-	-	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	3,074	53,095	623,888	57,067	285,463	262,918
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	3,074	53,095	623,888	57,067	285,463	262,918
Excess (deficiency) of receipts over disbursements	(3,069)	(53,010)	(622,975)	(56,982)	(285,005)	(262,553)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,069)	(53,010)	(622,975)	(56,982)	(285,005)	(262,553)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

INDIANAPOLIS PUBLIC SCHOOLS  
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	Construction 2010 Series B	School Lunch	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education
Cash and investments - beginning	\$ 32,111	\$ 29,821,173	\$ (861,612)	\$ (1,927,412)	\$ -	\$ 4,753,685
Receipts:						
Local sources	52	1,633,679	55,256,640	42,770,568	97,749	-
State sources	-	799	1,522,461	-	-	1,188,309
Federal sources	-	20,196,811	-	-	-	-
Other	-	27,460	-	-	-	-
Total receipts	52	21,858,749	56,779,101	42,770,568	97,749	1,188,309
Disbursements:						
Instruction	-	-	-	-	-	2,564,807
Support services	-	1,135,138	54,864,929	194,960	-	19,781
Noninstructional services	-	21,347,206	-	-	-	-
Facilities acquisition and construction	32,163	1,547,645	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	1,705,550	590,556	39,182,534	-	52,667
Total disbursements	32,163	25,735,539	55,455,485	39,377,494	-	2,637,255
Excess (deficiency) of receipts over disbursements	(32,111)	(3,876,790)	1,323,616	3,393,074	97,749	(1,448,946)
Other financing sources (uses):						
Sale of capital assets	-	-	(127,844)	-	-	-
Transfers in	-	1,226	506,641	-	-	-
Transfers out	-	-	-	-	(97,749)	-
Total other financing sources (uses)	-	1,226	378,797	-	(97,749)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,111)	(3,875,564)	1,702,413	3,393,074	-	(1,448,946)
Cash and investments - ending	\$ -	\$ 25,945,609	\$ 840,801	\$ 1,465,662	\$ -	\$ 3,304,739

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	SAFE School Haven	Early Intervention Grant	Trust Funds (Limited)	Trust Funds (Endowed)	Sallie Mae Foundation	Instructional Support
Cash and investments - beginning	\$ (345)	\$ 188,516	\$ 2,548,175	\$ 324,526	\$ (56,524)	\$ 9,901
Receipts:						
Local sources	-	-	457,116	45,159	-	-
State sources	-	170,229	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	170,229	457,116	45,159	-	-
Disbursements:						
Instruction	29,745	154,045	-	-	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	7,534	(7,077)	-	-
Total disbursements	29,745	154,045	7,534	(7,077)	-	-
Excess (deficiency) of receipts over disbursements	(29,745)	16,184	449,582	52,236	-	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(29,745)	16,184	449,582	52,236	-	-
Cash and investments - ending	\$ (30,090)	\$ 204,700	\$ 2,997,757	\$ 376,762	\$ (56,524)	\$ 9,901

INDIANAPOLIS PUBLIC SCHOOLS  
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 For the Year Ended June 30, 2017

	IPS Foundation	Lilly Endowment Funds	M.A. Rooney Foundation	University of Indianapolis	Butler University	New Teacher Project, Inc.
Cash and investments - beginning	\$ 33,104	\$ 89,996	\$ (155,554)	\$ 26,556	\$ -	\$ (199)
Receipts:						
Local sources	-	50,000	186,843	-	14,550	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	50,000	186,843	-	14,550	-
Disbursements:						
Instruction	-	-	231,365	-	-	-
Support services	-	14,812	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	14,812	231,365	-	-	-
Excess (deficiency) of receipts over disbursements	-	35,188	(44,522)	-	14,550	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	35,188	(44,522)	-	14,550	-
Cash and investments - ending	\$ 33,104	\$ 125,184	\$ (200,076)	\$ 26,556	\$ 14,550	\$ (199)

INDIANAPOLIS PUBLIC SCHOOLS  
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 For the Year Ended June 30, 2017

	Ball State University	Indiana State University	Indiana University	Purdue University	Adult and Continuing Education	Extra- Curricular Activities
Cash and investments - beginning	\$ 8,006	\$ 1,969	\$ 49,024	\$ 825	\$ 507	\$ 200
Receipts:						
Local sources	-	-	13,900	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	13,900	-	-	-
Disbursements:						
Instruction	-	-	-	-	-	-
Support services	-	-	2,625	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	2,625	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	11,275	-	-	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	11,275	-	-	-
Cash and investments - ending	\$ 8,006	\$ 1,969	\$ 60,299	\$ 825	\$ 507	\$ 200

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	Extra Curricular Funds	Central Indiana Community Foundation	Arts Council of Indianapolis	Dance Kaleidoscope	Safe Passage Grant	Cristel Dehann Family Foundation
Cash and investments - beginning	\$ 254,830	\$ 464,090	\$ 2,066	\$ 6,083	\$ 1,197	\$ 353
Receipts:						
Local sources	-	183,750	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	183,750	-	-	-	-
Disbursements:						
Instruction	(113)	357,145	-	-	-	-
Support services	-	14,678	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	4,740	-	-	-	-
Total disbursements	(113)	376,563	-	-	-	-
Excess (deficiency) of receipts over disbursements	113	(192,813)	-	-	-	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	113	(192,813)	-	-	-	-
Cash and investments - ending	\$ 254,943	\$ 271,277	\$ 2,066	\$ 6,083	\$ 1,197	\$ 353

INDIANAPOLIS PUBLIC SCHOOLS  
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	Indiana Family Health Council	United Way Foundation	Lumina Foundation	Reilly Foundation	School Insurance Fund	Closed School Maintenance
Cash and investments - beginning	\$ (18,194)	\$ 196,895	\$ 12,475	\$ 15,066	\$ 3,000	\$ 553,660
Receipts:						
Local sources	-	95,862	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	95,862	-	-	-	-
Disbursements:						
Instruction	-	227,036	146	-	-	-
Support services	31,947	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	31,947	227,036	146	-	-	-
Excess (deficiency) of receipts over disbursements	(31,947)	(131,174)	(146)	-	-	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(31,947)	(131,174)	(146)	-	-	-
Cash and investments - ending	\$ (50,141)	\$ 65,721	\$ 12,329	\$ 15,066	\$ 3,000	\$ 553,660

INDIANAPOLIS PUBLIC SCHOOLS  
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	Contractors Escrow	Lowe's Foundation	AllState Foundation	Miscellaneous Programs	IEA President's Fund	MIS Recycle Fund
Cash and investments - beginning	\$ 637,104	\$ 9,996	\$ 10,000	\$ 455,398	\$ (18,558)	\$ 551
Receipts:						
Local sources	-	-	-	763,408	61,864	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	-	763,408	61,864	-
Disbursements:						
Instruction	-	-	-	313,689	-	-
Support services	-	-	-	234,623	77,730	551
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	-	548,312	77,730	551
Excess (deficiency) of receipts over disbursements	-	-	-	215,096	(15,866)	(551)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(938)	-	-
Total other financing sources (uses)	-	-	-	(938)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	214,158	(15,866)	(551)
Cash and investments - ending	\$ 637,104	\$ 9,996	\$ 10,000	\$ 669,556	\$ (34,424)	\$ -

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 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Minority Awareness Summitt	Academic Summer School Program	CPR Classes	Intel ISEF Middle School After	CIESC	Information Technology
Cash and investments - beginning	\$ 208	\$ 19,949	\$ 13,713	\$ 7,490	\$ 16,778	\$ 54,168
Receipts:						
Local sources	-	-	3,460	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	53	-	-	-
Total receipts	-	-	3,513	-	-	-
Disbursements:						
Instruction	-	-	3,507	-	-	-
Support services	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	3,507	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	6	-	-	-
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	6	-	-	-
Cash and investments - ending	\$ 208	\$ 19,949	\$ 13,719	\$ 7,490	\$ 16,778	\$ 54,168

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Formative Assessment	Gifted and Talented	High School Graduation Coaches	Teacher Quality Improvement Program	Step Ahead	Drug Free Communities
Cash and investments - beginning	\$ (76,389)	\$ 51,031	\$ (113,570)	\$ 2,000	\$ 4,295	\$ (3,744)
Receipts:						
Local sources	-	-	-	-	-	-
State sources	346,139	146,537	-	-	-	-
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	346,139	146,537	-	-	-	-
Disbursements:						
Instruction	-	109,330	-	-	-	16,697
Support services	169,136	12,584	-	-	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	1,172	-	-	-	-
Total disbursements	169,136	123,086	-	-	-	16,697
Excess (deficiency) of receipts over disbursements	177,003	23,451	-	-	-	(16,697)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	177,003	23,451	-	-	-	(16,697)
Cash and investments - ending	\$ 100,614	\$ 74,482	\$ (113,570)	\$ 2,000	\$ 4,295	\$ (20,441)

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Early Educational Matching Grant	Medicaid Reimbursement	Welfare Activities	School Logo Uniform	Non-English Speaking Programs	School Technology
Cash and investments - beginning	\$ -	\$ 76,577	\$ (66,993)	\$ 217	\$ 434,705	\$ 1,994,679
Receipts:						
Local sources	-	-	-	-	-	-
State sources	114,373	(17,401)	-	-	934,789	832,389
Federal sources	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	114,373	(17,401)	-	-	934,789	832,389
Disbursements:						
Instruction	-	-	-	-	769,775	-
Support services	-	-	-	-	112,909	97,782
Noninstructional services	-	-	-	-	12,675	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Total disbursements	-	-	-	-	895,359	97,782
Excess (deficiency) of receipts over disbursements	114,373	(17,401)	-	-	39,430	734,607
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	114,373	(17,401)	-	-	39,430	734,607
Cash and investments - ending	\$ 114,373	\$ 59,176	\$ (66,993)	\$ 217	\$ 474,135	\$ 2,729,286

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Technology Plan Buddy	Career and Technical Performance Grant	Performance Based Awards	Indiana School Academic Improvement Program (ISAIP)	Build Indiana Fund	GQE Remediation
Cash and investments - beginning	\$ 1,050	\$ -	\$ (43,563)	\$ 25,495	\$ 3,408	\$ 391,856
Receipts:						
Local sources	-	-	-	-	-	-
State sources	-	22,458	490,538	-	-	-
Federal sources	-	18,803	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	41,261	490,538	-	-	-
Disbursements:						
Instruction	-	18,803	442,806	-	-	148,470
Support services	-	-	4,169	772	-	-
Noninstructional services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	14,587
Total disbursements	-	18,803	446,975	772	-	163,057
Excess (deficiency) of receipts over disbursements	-	22,458	43,563	(772)	-	(163,057)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	22,458	43,563	(772)	-	(163,057)
Cash and investments - ending	\$ 1,050	\$ 22,458	\$ -	\$ 24,723	\$ 3,408	\$ 228,799

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Energy Grant	Expanding World Languages	Professional Development	Safe Routes to School Grant	Title I	Title I Compensatory Education(a)
Cash and investments - beginning	\$ 32,861	\$ 1,292	\$ 299,421	\$ 29	\$ 237,267	\$ (705,084)
Receipts:						
Local sources	-	-	-	-	-	-
State sources	-	-	214	-	-	-
Federal sources	-	-	-	-	256,236	19,965,125
Other	-	-	-	-	-	-
Total receipts	-	-	214	-	256,236	19,965,125
Disbursements:						
Instruction	-	-	-	-	1	8,913,937
Support services	-	-	179,427	4,362	(0)	7,200,142
Noninstructional services	-	-	-	-	126,623	5,162,678
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	500,591
Total disbursements	-	-	179,427	4,362	126,624	21,777,348
Excess (deficiency) of receipts over disbursements	-	-	(179,213)	(4,362)	129,612	(1,812,223)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(215,459)
Total other financing sources (uses)	-	-	-	-	-	(215,459)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(179,213)	(4,362)	129,612	(2,027,682)
Cash and investments - ending	\$ 32,861	\$ 1,292	\$ 120,208	\$ (4,333)	\$ 366,879	\$ (2,732,766)

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Title I School Improvement	Title I Delinquent	Title I Comprehensive School	Title I SI Turn Around Grant	Refugee Child Assistance	Stewart Homeless Assistance Act
Cash and investments - beginning	\$ 285	\$ (939)	\$ (6,930)	\$ (1,565)	\$ -	\$ 4,164
Receipts:						
Local sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	808,272	-	-	651,236	6,030	70,589
Other	-	-	-	-	-	-
Total receipts	808,272	-	-	651,236	6,030	70,589
Disbursements:						
Instruction	23,722	-	7,036	272,521	888	-
Support services	1,319,966	-	6,871	364,923	56	-
Noninstructional services	6,803	-	-	2,123	5,974	73,871
Facilities acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	19,180	-	1,456
Total disbursements	1,350,491	-	13,907	658,747	6,918	75,327
Excess (deficiency) of receipts over disbursements	(542,219)	-	(13,907)	(7,511)	(888)	(4,738)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(542,219)	-	(13,907)	(7,511)	(888)	(4,738)
Cash and investments - ending	\$ (541,934)	\$ (939)	\$ (20,837)	\$ (9,076)	\$ (888)	\$ (574)

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	IDEA	Preschool Handicap	Adult Basic Education	IPIC - Adult Basic Education	Carol M White Physical Education
Cash and investments - beginning	\$ (1,160,017)	\$ (17,375)	\$ 4,422	\$ (64)	\$ 12,342
Receipts:					
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	7,595,847	243,535	-	-	-
Other	-	-	-	-	-
Total receipts	7,595,847	243,535	-	-	-
Disbursements:					
Instruction	5,758,215	251,470	-	-	-
Support services	1,788,505	-	-	-	-
Noninstructional services	981,177	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt service	-	-	-	-	-
Nonprogrammed charges	65,752	117	-	-	-
Total disbursements	8,593,649	251,587	-	-	-
Excess (deficiency) of receipts over disbursements	(997,802)	(8,052)	-	-	-
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(997,802)	(8,052)	-	-	-
Cash and investments - ending	\$ (2,157,819)	\$ (25,427)	\$ 4,422	\$ (64)	\$ 12,342

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Project Peace	Impact Aid	Magnet Funds	Emergency Response Planning	Vocational and Technology Board Grants
Cash and investments - beginning	\$ (12,244)	\$ 114,028	\$ 4,037	\$ 8,287	\$ (43,856)
Receipts:					
Local sources	-	-	-	-	-
State sources	-	-	-	-	1,026,242
Federal sources	-	-	-	-	-
Other	-	-	-	-	-
Total receipts	-	-	-	-	1,026,242
Disbursements:					
Instruction	-	-	-	-	1,051,321
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt service	-	-	-	-	-
Nonprogrammed charges	-	-	4	867	-
Total disbursements	-	-	4	867	1,051,321
Excess (deficiency) of receipts over disbursements	-	-	(4)	(867)	(25,079)
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(4)	(867)	(25,079)
Cash and investments - ending	\$ (12,244)	\$ 114,028	\$ 4,033	\$ 7,420	\$ (68,935)

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Workforce Development School to Work	Medicaid Reimbursement - Federal	21st Century Learning Center	Improving Teacher Quality, No Child Left, Title II, Part A	ITQ, Enhanced Education Through Technology, Title II, Part D
Cash and investments - beginning	\$ 35,415	\$ 508,991	\$ 1,124	\$ (335,953)	\$ 8,308
Receipts:					
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	957,980	-	2,868,801	-
Other	-	-	-	-	-
Total receipts	-	957,980	-	2,868,801	-
Disbursements:					
Instruction	-	72,605	-	1,935	-
Support services	-	471,604	-	2,292,606	-
Noninstructional services	-	-	-	327,955	-
Facilities acquisition and construction	-	-	-	-	-
Debt service	-	-	-	-	-
Nonprogrammed charges	-	-	-	63,819	-
Total disbursements	-	544,209	-	2,686,315	-
Excess (deficiency) of receipts over disbursements	-	413,771	-	182,486	-
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	413,771	-	182,486	-
Cash and investments - ending	\$ 35,415	\$ 922,762	\$ 1,124	\$ (153,467)	\$ 8,308

INDIANAPOLIS PUBLIC SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2017

	Title III - English Proficiency Migrant	Title II Part B Math and Science Partnership	Payroll Clearing Funds	Warehouse Clearing Funds	Totals
Cash and investments - beginning	\$ (44,535)	\$ -	\$ 7,747,579	\$ 3,497,023	\$ 199,858,266
Receipts:					
Local sources	-	-	-	-	233,245,376
State sources	-	-	-	-	232,340,348
Federal sources	674,306	-	-	-	54,672,304
Other	-	-	97,857,915	2,018,940	100,055,675
Total receipts	674,306	-	97,857,915	2,018,940	620,313,703
Disbursements:					
Instruction	496,408	-	-	-	188,405,469
Support services	140,919	47,136	-	-	227,765,665
Noninstructional services	97,949	-	-	-	30,946,269
Facilities acquisition and construction	-	-	-	-	14,818,977
Debt service	-	-	-	-	53,564,415
Nonprogrammed charges	15,397	671	104,617,493	2,094,710	148,932,320
Total disbursements	750,673	47,807	104,617,493	2,094,710	664,433,115
Excess (deficiency) of receipts over disbursements	(76,367)	(47,807)	(6,759,578)	(75,770)	(44,119,412)
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	1,016,247
Transfers in	-	-	-	-	821,076
Transfers out	-	-	-	-	(821,076)
Total other financing sources (uses)	-	-	-	-	1,016,247
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(76,367)	(47,807)	(6,759,578)	(75,770)	(43,103,165)
Cash and investments - ending	\$ (120,902)	\$ (47,807)	\$ 988,001	\$ 3,421,253	\$ 156,755,101

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 3,157,953</u>	<u>\$ 796,961</u>

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Board of School Commissioners of the City of Indianapolis	2016 Equipment Bus Lease	\$ 1,208,475	7/15/2016	1/15/2026
IPS Multi-School Building Corporation	First Mortgage Refunding Bonds 2007	639,000	7/15/2007	7/15/2020
IPS Multi-School Building Corporation	Build America Bonds 2009A	3,694,000	1/15/2010	7/15/2029
IPS Multi-School Building Corporation	First Mortgage Refunding Bonds 2016A	3,166,000	7/15/2016	1/15/2020
IPS Multi-School Building Corporation	First Mortgage Refunding Bonds 2016B	15,518,000	1/15/2017	1/15/2028
IPS Multi-School Building Corporation	Qualified School Construction Bonds 2009C	360,000	1/15/2010	9/15/2024
IPS Multi-School Building Corporation	Qualified School Construction Bonds 2010C	126,000	1/15/2011	7/15/2025
IPS Multi-School Building Corporation	Qualified School Construction Bonds 2010D	14,000	1/15/2011	7/15/2019
IPS Multi-School Building Corporation	First Mortgage Refunding Bonds 2014	13,871,000	1/15/2015	7/15/2019
IPS Multi-School Building Corporation	First Mortgage Refunding Bonds 2015	<u>12,925,500</u>	7/15/2015	1/15/2032
Total governmental activities		<u>51,521,975</u>		
Total of annual lease payments		<u>\$ 51,521,975</u>		

Type	Description of Debt	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:				
General obligation bonds	Pension Advance Funding		\$ 12,180,203	\$ 2,885,944
Notes and loans payable	Common School Loans		<u>219,000</u>	<u>147,825</u>
Total governmental activities			<u>12,399,203</u>	<u>3,033,769</u>
Totals			<u>\$ 12,399,203</u>	<u>\$ 3,033,769</u>

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2017

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 2,337,502
Buildings	499,542,437
Improvements other than buildings	780,142
Machinery, equipment, and vehicles	<u>42,217,029</u>
Total governmental activities	<u>544,877,110</u>
Total capital assets	<u><u>\$ 544,877,110</u></u>

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Indianapolis Public Schools' (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed below, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in item 2017-003 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Program Income that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2017.

***Basis for Qualified Opinion on the Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants***

As described in item 2017-001 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

***Qualified Opinion on the Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies, and Supporting Effective Instruction Grants* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education Cluster, Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants for the year ended June 30, 2017.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, and 2017-009. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.


INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, and 2017-009, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

May 18, 2018

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY 2017	\$ -	\$ 5,282,831
School Breakfast Program					
National School Lunch Program	Indiana Department of Education	10.555	FY 2017	-	13,502,224
National School Lunch Fund			FY 2017	-	89,374
Commodities			FY 2017	-	117,918
After School Supplement Program					
Total - National School Lunch Program				-	13,709,516
Total - Child Nutrition Cluster				-	18,992,347
Child and Adult Care Food Program	Indiana Department of Education	10.558	FY 2017	-	93,510
Child and Adult Care Food Program					
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582	FY 2017	-	1,200,327
Fresh Fruit and Vegetable Program					
Total - Department of Agriculture				-	20,286,184
<u>Department of Education</u>					
Special Education Cluster (IDEA)					
Special Education Grants to States	Indiana Department of Education	84.027			
14SE0 / 2014 Special Education Part B			14215-030-PN01	-	1,061,216
15SE0 / 2015 Special Education Part B			14216-028-PN01	-	2,826,901
16SEB / 2017 Special Education Part B			14217-028-PN01	-	3,699,489
Total - Special Education Grants to States				-	7,587,606
Special Education Preschool Grants	Indiana Department of Education	84.173			
15SEP / 2015 Special Education Preschool			45716-028-PN01	-	99,906
16SEP / 2016 Special Education Preschool			45717-028-PN01	-	143,627
Total - Special Education Preschool Grants				-	243,533
Total - Special Education Cluster (IDEA)				-	7,831,139
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010			
15T10 / 2015 Title I Part A Basic			S010A150014	-	3,882,090
16T10 / 2016 Title I Part A Basic			S010A160014	-	15,924,423
15T1S / 2015-2016 Title I School Improvement			S010A150014	-	557,394
16T1S / 2015-2016 Title I School Improvement			S010A160014	-	409,490
Total - Title I Grants to Local Educational Agencies				-	20,773,397
Career and Technical Education -- Basic Grants to States	Indiana Department of Workforce Development	84.048			
15VOC / 2015 Vocational Education			16-4700-5385	-	194,169
16VOC / 2016-17 Career & Tech Education			17-4700-5385	-	832,074
Total - Career and Technical Education -- Basic Grants to States				-	1,026,243

INDIANAPOLIS PUBLIC SCHOOLS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
Education for Homeless Children and Youth 15MVG / 2015 McKinney Vento Homeless Grant 16MVG / 2016 McKinney Vento Homeless Grant	Indiana Department of Education	84.196	A58-5-15SS-2631 A58-7-17SS-3941	- -	35,797 34,792
Total - Education for Homeless Children and Youth				-	70,589
English Language Acquisition State Grants 14T3A / 2014 Title III Part A I Part A Language Instruction 15T3A / 2014 Title III Part A I Part A Language Instruction 16IIG / 2016-2018 T3A Immigrant	Indiana Department of Education	84.365	01115-072-PN01 01116-073-PN01 01117-006-FLUX	- - -	336,761 334,322 3,089
Total - English Language Acquisition State Grants				-	674,172
Supporting Effective Instruction State Grants 14T2A / 2014-2016 Title II Part A 15T2A / 2015-2017 Title II Part A	Indiana Department of Education	84.367	S367A140013 S367A150013	- -	1,487,641 1,381,160
Total - Supporting Effective Instruction State Grants				-	2,868,801
School Improvement Grants 15T1T / 2015-2016 Title I 1003(g) SIG 16T1T / 2016-2017 Title I 1003(g) SIG	Indiana Department of Education	84.377	S377A120015 S377A130015	- -	642,936 8,300
Total - School Improvement Grants				-	651,236
Total - Department of Education				-	33,895,577
<b>Department of Health and Human Services</b>					
Medicaid Cluster Medical Assistance Program 11MRF / Medicaid Reimbursement - Federal	Indiana Department of Education	93.778	FY 2016-2017	-	957,980
Total - Medicaid Cluster				-	957,980
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs 16RCG / 2016-2017 Refugee Children School Impact	Indiana Department of Education	93.566	700REFSOCVCF17	-	3,000
Refugee and Entrant Assistance Discretionary Grants 15RCG / 2015-2016 Refugee Children School Impact	Indiana Department of Education	93.576	700REFSCHLIMF15	-	3,030
Total - Department of Health and Human Services				-	964,010
Total federal awards expended				\$ -	\$ 55,145,771

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the year ended June 30, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Educational Agencies	Qualified
84.367	Supporting Effective Instruction State Grants	Qualified

Dollar threshold used to distinguish between Type A and Type B programs: \$1,654,373

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

No matters are reportable.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2017-001**

Subject: Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants, and Special Education Grants to States - Cash Management and Reporting

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants, Special Education Grants to States

CFDA Numbers: 84.010, 84.367, 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014, S367A140013, S367A150013, 14215-030-PN01, 14216-028-PN01, 14217-028-PN01

Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Cash Management, Reporting  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-002.

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Cash Management and Reporting compliance requirements.

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Cash Management and Reporting compliance requirements. There were many instances in which the amounts requested for reimbursement were not completely substantiated.

The cash reimbursement request reports for the Supporting Effective Instruction State Grants were not adequately supported. The supporting documentation provided did not agree with the total amount requested for reimbursement for each of the four reimbursement requests reviewed.

The cash reimbursement request reports for the Title I Grants to Local Educational Agencies were not adequately supported. The supporting documentation provided did not agree with the total amount requested for reimbursement for three of the four reimbursement requests reviewed.

The cash reimbursement request reports for the Special Education Grants to States were not adequately supported. The supporting documentation provided did not agree with the total amount requested for reimbursement for two of the four reimbursement requests reviewed.

*Context*

The lack of controls was a systemic problem throughout the audit period, but with improvement in compliance toward the latter part of the audit period. The supporting documentation agreed to the cash reimbursement requests reports during the latter part of the audit period.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: . . .

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Cash Management and Reporting compliance requirements.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Cash Management and Reporting compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

*Views of Responsible Officials*

For views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2017-002**

Subject: Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants - Allowable Costs/Cost Principles

Federal Agencies: Department of Agriculture, Department of Education

Federal Programs: School Breakfast Program, National School Lunch Program, Title I Grants to Local Educational Agencies, Supporting Effective Instruction State Grants

CFDA Numbers: 10.553, 10.555, 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, S010A150014, S367A140013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

INDIANAPOLIS PUBLIC SCHOOLS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 (Continued)

Management of the School Corporation had not established an effective internal control system related to the application of the indirect cost rate. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Costs/Cost Principles compliance requirement. The indirect cost rate assigned by the Indiana Department of Education for the 2015-2016 school year was applied during the 2016-2017 school year. The 2015-2016 indirect cost rate applied to all of the major programs was larger than the 2016-2017 indirect cost rate that should have been applied during the school year. The following table indicates the indirect costs that were overcharged for each program:

Major Program	Indirect Costs Overcharged
Title I Grants to Local Educational Agencies	\$ 204,116
Supporting Effective Instruction State Grants	21,909
Child Nutrition Cluster	248,800

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OMB Circular A-87, Attachment A, section C.1 states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal Awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Indiana Department of Education's *Frequently Asked Questions Related to Indirect Cost Rates* states:

"The Indirect Cost Rate calculated by the Office of School Finance sets the maximum rate a Local Education Agency can use. A Local Education Agency, however, is allowed to use any amount below the rate calculated by the Office of School Finance to the extent the funds are available."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

We consider the amount of overcharged indirect costs identified above to be questioned costs.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2017-003***

Subject: Child Nutrition Cluster - Program Income  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Modified Opinion, Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-004.

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation established a single fund, the School Lunch fund, to record all activity of the food service programs. All receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund. Prepayments were not recorded in a separate fund; therefore, program income was overcharged to the program.

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period. The School Corporation established a separate fund for prepayments subsequent to the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards: . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Program Income compliance requirement.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance the grant agreement and the Program Income compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2017-004**

Subject: Special Education Grants to States - Period of Performance  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): 14215-030-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Period of Performance  
Audit Findings: Material Weakness, Other Matters

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Period of Performance compliance requirement.

Grant expenses eligible to be charged to Special Education grant 14SEO were required to have been obligated by September 30, 2016, and spent by December 15, 2016. Five disbursements charged to the grant after September 30, 2016, but before December 15, 2016, were examined. Two of the five disbursements were not obligated prior to September 30, 2016. There were purchase orders associated with the two exceptions but the purchase orders did not constitute a valid obligation as defined by the federal grantors.

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

34 CFR 80.23(a) states:

"*General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

34 CFR 80.3 states in part:

". . . *Obligations* means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Period of Performance compliance requirement.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2017-005**

Subject: Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies, and Supporting Effective Instruction State Grants - Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants, Title I Grants to Local Educational Agencies, Supporting Effective Instruction

CFDA Numbers: 84.027, 84.173, 84.010, 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-030-PN01, 14216-028-PN01, 14217-028-PN01, 45716-028-PN01, 45717-028-PN01, S010A150014, S010A160014, S367A140013, S367A150013

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-007.

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

Each individual school participating in a schoolwide program must submit an individual improvement plan that includes specific core elements and specific components. Four of the nine plans tested did not include all necessary components, and the control in place did not detect the missing components.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period. Subsequent to the audit period, the School Corporation has implemented internal control policies and procedures designed to ensure that the schoolwide plans include all the required elements.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 200.28 states in part:

"A schoolwide program must include the following components: . . . ."

(b) *Instruction by highly qualified teachers.* A schoolwide program must ensure instruction by highly qualified teachers and provide ongoing professional development. The schoolwide program must—

- (1) Include strategies to attract highly qualified teachers, as defined in § 200.56;
- (2)(i) Provide high-quality and ongoing professional development in accordance with sections 1119 and 9101(34) of the ESEA for teachers, principals, paraprofessionals and, if appropriate, pupil services personnel, parents, and other staff, to enable all students in the school to meet the State's student academic standards; and
- (ii) Align professional development with the State's academic standards;
- (3) Devote sufficient resources to carry out effectively the professional development activities described in paragraph (b)(2) of this section; and
- (4) Include teachers in professional development activities regarding the use of academic assessments described in § 200.2 to enable them to provide information on, and to improve, the achievement of individual students and the overall instructional program.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

(c) *Parental involvement.* (1) A schoolwide program must involve parents in the planning, review, and improvement of the schoolwide program plan.

(2) A schoolwide program must have a parental involvement policy, consistent with section 1118(b) of the ESEA, that—

(i) Includes strategies, such as family literacy services, to increase parental involvement in accordance with sections 1118(c) through (f) and 9101(32) of the ESEA; and

(ii) Describes how the school will provide individual student academic assessment results, including an interpretation of those results, to the parents of students who participate in the academic assessments required by § 200.2. . . .

(e) *Transition.* A schoolwide program in an elementary school must include plans for assisting preschool students in the successful transition from early childhood programs, such as Head Start, Even Start, Early Reading First, or a preschool program under IDEA or a State-run preschool program, to the schoolwide program."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

The School Corporation did not include all necessary schoolwide plan components, despite a checklist being included in the schoolwide plan. The review and maintenance of the schoolwide plan did not detect this noncompliance.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2017-006***

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-006.

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation's procedures related to oversight and review of the process of removing a student from the graduation cohort were not properly implemented.

Supporting documentation was not consistently maintained for the students who were removed from their graduation cohort.

For 20 of the 40 students selected to be examined who were removed from their graduation cohort, evidence of oversight and review was not provided. For 12 students examined, supporting documentation for the reason the student was removed from the cohort was not provided.

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

34 CFR 200.19(b)(ii)(B) states in part:

"To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

***FINDING 2017-007***

Subject: Special Education Grants to States - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Number and Year (or Other Identifying Number): 14215-030-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2016-003.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Costs/Cost Principles compliance requirement.

The School Corporation was required to maintain Semi-Annual Certifications in order to comply with the time and effort requirements applicable to employees who worked solely on Special Education under the Special Education grant awarded under the requirements of OMB Circular A-133.

Special Education Grants to States award 14215-030-PN01 (14SEO), which was effective July 1, 2014 through September 30, 2016, was administered prior to the Uniform Guidance. Semi-Annual Certifications for employees who were paid from project 14215-030-PN01 were not completed by the School Corporation.

*Context*

The lack of controls and noncompliance were systemic problems through the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

OMB Circular A-87, Attachment B, item 8(h)(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2017-008**

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-030-PN01, 14216-028-PN01,  
45715-030-PN01, 45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Reporting compliance requirement. No audit evidence was presented that indicated the School Corporation had monitored the submission of the required reports.

The Indiana Department of Education (IDOE) required the submission of Quarterly Monitoring Reports for Proportionate Shares for Non Public Schools. The IDOE also required the submission of a Final Expenditure Report at the completion of each grant.

*Context*

The lack of controls and noncompliance were systemic problems throughout the period audited. No Quarterly Monitoring Reports for Proportionate Shares for Non Public Schools were prepared during the audit period. The Final Expenditure Report for the FY 2015 grant was submitted as a standard reimbursement request report and not in the format outlined by the IDOE.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Reporting compliance requirement.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Reporting compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2017-009***

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Assessment System Security  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation's procedures related to oversight and review of the process of implementing required assessment system security was not effective. Supporting documentation was not consistently maintained for the test administrators who received the required education and the testing policies at the school building level.

Of the six schools tested, one did not provide any documentation to support the employees who received the required training or a testing policy in place at the school building level. Two of the remaining five schools did not provide a testing policy at the school building level to prove the requirements related to Assessment System Security were implemented.

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

20 USC 6311(b)(3)(C) states in part:

"Such assessments shall- . . .

(iii) be used for purposes for which such assessments are valid and reliable, and be consistent with relevant, nationally recognized professional and technical standards; . . ."

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

The School Corporation had not established and implemented an effective internal control system that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement. Documentation of the implementation of the required testing policies and procedures was not provided. The required sign in sheets of the employees' attendance of the required training was not provided for all schools.

*Effect*

The failure to establish and implement an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish and implement an internal control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

INDIANAPOLIS PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2016-001

Original SBOA Audit Report Number	B45689
Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Status of Finding

PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Following the completion of the 2012-2014 audit, Indianapolis Public Schools coordinated conversations with the State Board of Accounts to better understand the data requirement needed for the Schedule of Expenditures of Federal Awards (SEFA). Following those conversations, we have entered more data for awards within our financial system in order to better gather the information needed for the completion of the SEFA. The SEFA is completed by the Grant Accounting Coordinator and approved by the Accounting Officer.

Finding Number 2016-002

Original SBOA Audit Report Number	B45689
Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Status of Finding

CASH MANAGEMENT AND REPORTING

Following the completion of the 2012-2014 audit, Indianapolis Public Schools has implemented procedures for federal reporting whereby reimbursement requests are completed by Grant Accounting and then verified by the appropriate program personnel prior to submission of the request for reimbursement.

INDIANAPOLIS PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

Finding Number 2016-003

Original SBOA Audit Report Number	B48414
Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601
Status of Finding	

ALLOWABLE COSTS/COST PRINCIPLES

Indianapolis Public Schools has established procedures to ensure that all semi-annual certifications are completed, signed, and maintained. All semi-annual certifications were completed and signed as of July 1, 2016.

Finding Number 2016-004

Original SBOA Audit Report Number	B48414
Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601
Status of Finding	

PROGRAM INCOME

Indianapolis Public Schools has created Fund 8400 to be our “Prepaid Food Fund” and will start using object 209080 to account for Unearned Revenue. When prepaid meal monies are received, account 8400-108001 will be debited to reflect cash received, and account 8400-209080 will be credited to reflect the accompanying liability. At the end of each month a transfer will be posted in MUNIS to reduce 8400-108001 and 8400-209080 and increase 0800-108001 (and appropriate revenue accounts) by the total amount of prepaid monies used (earned) during the month.

Indianapolis Public Schools is currently implementing a new Point of Sale system and will be using it to maintain our prepaid accounts. This implementation should be completed by September 30, 2017 and will directly relate to the completion of this corrective action plan.

INDIANAPOLIS PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

Finding Number 2016-005

Original SBOA Audit Report Number	B45689
Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601

Status of Finding

CASH MANAGEMENT

Under new leadership (October 2016), the Foodservice Department is committed to spending excess funds for the improvement of meals and meal services to the students of IPS. Current initiatives implemented fiscal year 2017 included the purchase of: vegetable bars for most schools; cafeteria table replacements; new POS software; and a food truck. These purchases have resulted in a \$3.9 million reduction of the School Lunch Fund. Future initiatives and purchases planned for the 2018 fiscal year include: multiple capital expenditures; employee compensation; and food quality upgrades. These initiatives are projected to reduce the School Lunch Fund balance by an additional \$4 million. Several initiatives with both past and future implementation dates will have a lasting financial impact, and continue to reduce the School Lunch Fund balance into future fiscal years.

INDIANAPOLIS PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

Finding Number 2016-006

Original SBOA Audit Report Number	B45689
Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601
Status of Finding	

SPECIAL TESTS AND PROVISIONS\_ GRADUATION COHORT

The following practices and procedures have been implemented to ensure that proper cohort withdrawal documentation is maintained for students leaving the Indianapolis Public School system as outlined by the Indiana Department of Education.

**District Level**

- Developed a written Entry / Withdrawal Manual that includes the documentation requirements outlined by the Indiana Department of Education.
- Provided mandatory documentation training for administrators, registrars, graduation coaches, and special program staff provided by an Accountability Specialist from the IDOE.
- Provided a district wide training for all K-12 registrars and school secretaries responsible for withdrawing students and maintaining student records.
- Ongoing training for individual high school registrars responsible for maintaining cohort documentation.
- Required Cohort Withdrawal Documentation Notebooks for all high schools.
- Hired Graduation Coaches who will check the documentation notebooks weekly and assist with follow-up to obtain documentation as needed.
- Implemented monthly Cohort Withdrawal Documentation Notebook audits.
- Monthly reviews of Cohort Monitoring Reports.

**School-Based**

- Create and maintain Cohort Documentation Notebooks for each cohort year.
- Follow up within a minimum of two weeks of a student withdrawing to obtain any documentation that has not been received.
- School Graduation Coach will cross reference the state cohort report with documentation on file monthly and follow up on any missing documentation and/or needed corrections.
- Submit monthly Cohort Monitoring Reports to the Office of Graduation and Alternative Services.
- Administrator will check and verify the graduating Cohort's documentation and submit a Verification Form.

INDIANAPOLIS PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(CONTINUED)

Finding Number 2016-007

Original SBOA Audit Report Number	B48414
Auditee Contact Person	Paul Carpenter-Wilson
Title of Contact Person	Financial Manager
Phone Number	317-226-3601
Status of Finding	

SPECIAL TESTS AND PROVISIONS

Indianapolis Public Schools will make certain, beginning immediately, that all schoolwide plans (SWPs) are reviewed and approved by district administration. The district has created a user guide and a roll-out deck as a resource for school leaders. As a guide, the district will use the SWP Title I Plan Summary Page to ensure that all components are met in the School Improvement Plan (SIP). Upon review of the schoolwide plan, the district will ensure that all SWPs include the necessary characteristics, required under the schoolwide reform. The characteristics of this document will include:

- A clear detailed focus;
- High measurable expectation for students and staff;
- An environment conducive to learning;
- Strong educational leadership;
- Standard based, curriculum based instruction along with assessments aligned to standards
- High-quality professional development; ensuring teacher are using best practices
- A Collaborative spirit and collaborative structure;
- Meaningful parent involvement; and engagement including trainings
- A commitment to continuous review and improvement

Respectfully submitted,

Paul Carpenter-Wilson  
Financial Manager  
Indianapolis Public Schools



## CORRECTIVE ACTION PLAN

**FINDING 2017-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: John Patrick Niland  
Contact Phone Number: (317) 226-3602

Views of Responsible Official:

We agree with the finding. While the supporting documentation over the entirety of the 2016-2017 fiscal year did support the claims for reimbursement in the aggregate, and the claims at the end of the year did exactly match the data in our financial accounting system, the expenditure reports by discreet date ranges which supported individual semimonthly claims during the earlier periods of the 2016-2017 fiscal year could not be reproduced by the auditors at the time their tests were performed. This shortcoming was noted by the auditors in the spring of 2017 during their audit of the 2014-2015 and 2015-2016 fiscal years. The cause was found to be an idiosyncrasy of our financial accounting system related to invoice batch processing. Specifically, the effective dates of transactions are determined not by the date the invoices are actually posted to the general ledger but by the header date for the entire batch, which defaults to the day the batch is created. As a result, the cutoff date can be unreliable. Invoices posted from a batch created and dated before the mid-month cutoff will continue to post back to the first part of the month, so an expense report run on MM/30/YY for dates MM/01/YY though MM/15/YY will likely produce a greater total than the same report run on MM/16/YY.

Description of Corrective Action Plan:

As noted above, cutoff by ending dates can be unreliable, but cutoff by period is reliable. Accordingly, we have changed our methodology to prepare a claim for reimbursement for a complete accounting period once the period has ended and been closed, rather than preparing semimonthly claims. (We do not permit invoices for any federal programs to be posted back to a prior period once the associated calendar month has ended.) The move from semimonthly claiming to monthly claiming also allows more adequate time for a thorough review of the underlying data and appropriate approval of all claims prior to their submission by the fifteenth of the following month.

Anticipated Completion Date: Corrective action was implemented before the end of fiscal year 2017.

  
\_\_\_\_\_  
(Signature)

Accounting Officer  
\_\_\_\_\_  
(Title)

May 1, 2018  
\_\_\_\_\_  
(Date)



## CORRECTIVE ACTION PLAN

**FINDING 2017-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: John Patrick Niland / Brandon Weems  
Contact Phone Number: (317) 226-3602 / (317) 226-3277

Views of Responsible Official:

We concur with the finding. The indirect cost rate assigned by the Indiana Department of Education for the 2015-2016 school year was incorrectly applied to 2016-2017 costs. Though staff acted in good faith while applying the indirect cost rate for Title I grants, the regulation for allowable costs was not reviewed, thus resulting in a material weakness in the School Corporation's internal controls. The indirect cost expense charged to the School Lunch Fund for 2016-2017 was calculated by applying the rate established for the 2015-2016 school year. This occurred because the documentation for the 2016-2017 rate was posted to a different website than had ever been used before, so we mistakenly thought that the 2016-2017 rate was not available at the time the indirect cost expense was calculated and transferred.

Description of Corrective Action Plan:

The School Corporation has implemented controls to provide assurance that federal and state regulations are being followed. It is the responsibility of the Grant Accounting office staff to keep record of the active indirect cost rate and provide to Corporation staff upon request. Grant Accounting staff asked for and received documentation from SBOA audit staff related to the proper calculation and application of the indirect cost rate. That documentation was added to a departmental procedures manual in order to be readily available and to ensure all staff are adhering to federal and state internal controls regulations. An internal review of the preparation of the Foodservice indirect cost calculation will be performed by Grant Accounting before the transfer is made in the General Ledger to confirm that the correct rate is used. To correct the previous overcharge to the School Lunch Fund, a credit of \$248,800.13 (see schedule) will be applied to the FY2018 indirect cost transfer.

Anticipated Completion Date: Process corrective action was implemented before the end of fiscal year 2017; credit of prior overcharge to be completed by 07/10/2018, effective date 06/30/2018.

  
\_\_\_\_\_  
(Signature)

Accounting Officer  
\_\_\_\_\_  
(Title)

May 2, 2018  
\_\_\_\_\_  
(Date)

**Calculation of Indirect Cost Credit Needed Due to Prior Year Incorrect Rate Application**

**Program Year 2016-2017**

July 1, 2016 – June 30, 2017

*Prepared by: J P Niland*

	Cash Basis Net Cost Base	Rate Applied 19.24%	Correct Rate 16.60%	Variance 2.64%
Semiannual Period Ending 12/31/2016	4,840,514.28	931,314.95	803,525.37	127,789.58
Semiannual Period Ending 06/30/2017	4,583,733.07	881,910.24	760,899.69	121,010.55
<b>Total</b>	<b>9,424,247.35</b>	<b>1,813,225.19</b>	<b>1,564,425.06</b>	<b>248,800.13</b>

**Total Credit Needed\***

**248,800.13**

*\* to be applied to indirect cost chargeback for semiannual period ending 06/30/2018*



CORRECTIVE ACTION PLAN

**FINDING 2017-003** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Janice Hale and Dena Bond  
Contact Phone Number: (317) 226-4772


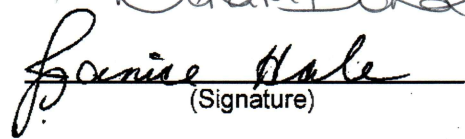
Views of Responsible Official:

We agree with the finding. While we had the documentation to support our prepaids monies it was not broken out into a separate fund. Effective with the current program year we have established a separate Fund for the Prepaid Food monies.

Description of Corrective Action Plan:

Effective with the 2017-2018 program year, IPS has created Fund 8400 to be the "Prepaid Food Fund". Within the "Prepaid Food Fund", the Unearned Revenue account will reflect the current unearned balance. At the end of each month a transfer will be posted in Munis to adjust the total prepaid monies used and (earned) during the month

Anticipated Completion Date: Corrective action was implemented during the 2017- 2018 program year.

  
  
(Signature)

Accounting Coordinator  
(Title)

May 7, 2018  
(Date)



CORRECTIVE ACTION PLAN

**FINDING 2017-004** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Brandon Weems *Brent Freeman*  
Contact Phone Number: (317)226-3277 *317-226-4575*

Views of Responsible Official:

We concur with the finding. A material weakness in internal controls existed due to a lack of subject-matter expertise within the School Corporation, and grant funds were expended subsequent to the obligation date of the grant. The grant department provided guidance to the Special Education administrator that was inconsistent with regulations set forth by the Federal Grantors with respect to the definition of a valid obligation.

Description of Corrective Action Plan:

The School Corporation has implemented controls to provide assurance that federal and state regulations are being followed. It is the responsibility of both the grant accounting office and special education administration to be aware of and follow federal and state regulations defining a valid obligation. Documentation providing the definition of the term obligation as it applies to grant expenses and grant performance period compliance has been added to the grant accounting office procedure manual. The purpose of this manual is to assist School Corporation staff in establishing and maintaining effective internal controls.

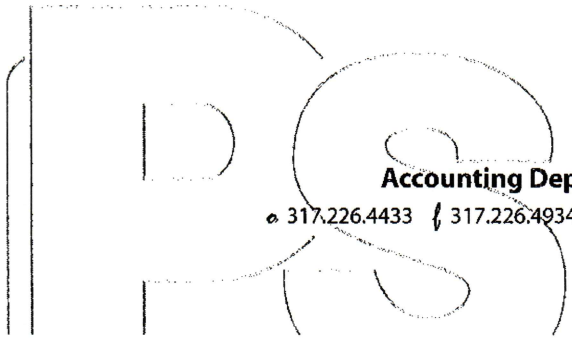
Anticipated Completion Date:

Corrective action was implemented prior to the end of calendar year 2017

*[Signature]*  
\_\_\_\_\_  
(Signature)

*Accounting Coordinator SPED OFFICER*  
\_\_\_\_\_  
(Title)

*5/8/2018* *5/16/18*  
\_\_\_\_\_  
(Date)





CORRECTIVE ACTION PLAN

**FINDING 2017-005**

Contact Person Responsible for Corrective Action: Bridgette Robinson  
Contact Phone Number: (317) 226-4520

Views of Responsible Official:  
We concur with the findings.

Description of Corrective Action Plan:

Indianapolis Public Schools will make certain, beginning immediately, that all schoolwide plans (SWPs) are reviewed and approved by district administration. The district has created a user guide and a roll-out deck as a resource for school leaders. As a guide, the district will use the SWP Title I Plan Summary Page to ensure that all components are met in the School Improvement Plan (SIP). Upon review of the schoolwide plan, the district will ensure that all SWPs include the necessary characteristics, required under the schoolwide reform. We now have a statement of assurance in which all schools and district level staff are required to sign off showing that all components are present in the plan.

Anticipated Completion Date: Corrective action was implemented during the 2017-18SY.



(Signature)

Director of Federal & Special Programs

(Title)

**Federal and Special Programs: Indianapolis Public Schools**

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CORRECTIVE ACTION PLAN

**FINDING 2017-006** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Lisa Brenner, MSW  
Contact Phone Number: (317) 226-3433

**Views of Responsible Official:**

We agree with the finding. While supporting documentation was not consistently maintained for the graduation cohorts that were audited, it should be noted that a cohort embodies four years of processes and procedures. The district has established and implemented the processes and procedures identified in our previous corrective plan to ensure that state and federal requirements are met. Schools are currently implementing these processes and procedures.

**Description of Corrective Action Plan:**

The following practices and procedures have been implemented to ensure that proper cohort withdrawal documentation is maintained for students leaving the Indianapolis Public School system as outlined by the Indiana Department of Education.

District Level

- Update the Entry / Withdrawal Manual that includes the documentation requirements outlined by the Indiana Department of Education.
- Provided a district wide training for all registrars and school secretaries responsible for withdrawing students and maintaining student records.
- Required Cohort Withdrawal Documentation Notebooks for all high schools.
- Implemented random district Cohort Withdrawal Documentation Notebook checks.

School-Based

- Create and maintain Cohort Documentation Notebooks for each cohort year.
- Follow up within a minimum of two weeks of a student withdrawing to obtain any documentation that has not been received.
- School based staff will cross reference the state cohort report with documentation on file monthly and follow up on any missing documentation and/or needed corrections.
- Submit monthly Cohort Monitoring Reports to the Student Services Office.
- Administrator will check and verify the graduating Cohort’s documentation and submit a Verification Form.

**Anticipated Completion Date:** Corrective action was implemented during the 2017-18 school year.

\_\_\_\_\_  
Signature  
Student Services Officer  
\_\_\_\_\_  
Title  
May 8, 2018  
\_\_\_\_\_  
Date

**Lisa A. Brenner, MSW | Student Services Officer**

o 317.226.3433 | f317.226.3777 | Indianapolis Public Schools | 4501 E. 32nd Street | Indianapolis, IN 46218

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CORRECTIVE ACTION PLAN

**FINDING 2017-007**

Contact Person Responsible for Corrective Action: Brent Freeman  
Contact Phone Number: 317-226-4575

Views of Responsible Official:

We agree with the repeat finding identified. The Semi-Annual Certifications documenting time and effort for employees who worked solely on Special Education initiatives was not completed.

Description of Corrective Action Plan:

Create and maintain Semi-Annual Certifications.

Anticipated Completion Date:

This has been corrected as of July 1, 2016 starting with the FY 2017 grants.

(Signature)

(Title)

(Date)





CORRECTIVE ACTION PLAN

**FINDING 2017-008** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Brandon Weems *Brent Freeman*  
Contact Phone Number: (317)226-3277 *317-226-4575*

Views of Responsible Official:

We concur with the finding. A material weakness in internal controls existed due to a lack of subject-matter expertise within the School Corporation. Special education and grant accounting staff were responsible for coordinating and submitting final expenditure reports and that process was not followed due to a lack of accountability and procedural documentation. Staff turnover, lack of communication from previous staff and IDOE contributed to both the missing final report and Quarterly Monitoring Reports for Proportionate share.

Description of Corrective Action Plan:

The grant accounting office staff will create and maintain a signoff checklist for each grant with respect to due dates of reports, in order to ensure timely filing of reports to maintain proper internal controls and adherence to federal and state regulations. The grant accounting office staff member responsible for filing the final expenditure report will be required to attach a completed checklist that indicates all monthly reimbursements and the final reimbursement have each been completed. Special Education now has a checklist to ensure all Quarterly Monitoring Reports for Proportionate Share are completed.

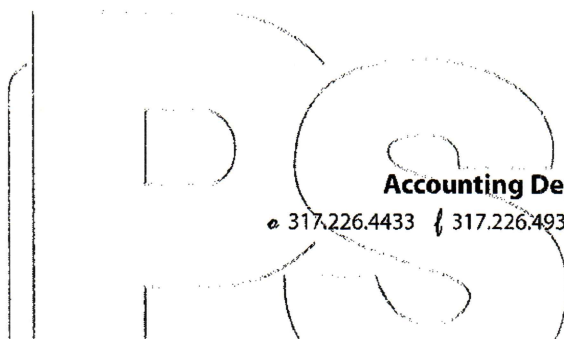
Anticipated Completion Date:

Corrective action will be implemented prior to the end of fiscal year 2018

*[Signature]*  
\_\_\_\_\_  
(Signature)

*Accounting Coordinator SPECIAL ED OFFICER*  
\_\_\_\_\_  
(Title)

*5/8/2018* *5/16/18*  
\_\_\_\_\_  
(Date)



Accounting Department | Indianapolis Public Schools

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***FINDING 2017-009 – Title I Assessment System Security***

Contact Person Responsible for Corrective Action: Eric Lewis

Contact Phone Number: 317-226-4126

Views of Responsible Official:

Description of Corrective Action Plan:

This Corrective Action Plan addresses the following:

- A. The School Corporation had not established and implemented an effective internal control system to ensure compliance with the requirements related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.
- B. The School Corporation's procedures related to oversight and review of the process of implementing required assessment system security was not effective. Supporting documentation was not consistently maintained for the test administrators who received the required education and the testing policies at the school building level.
- C. Of the six schools tested, one did not provide any documentation to support the employees who received the required training or a testing policy in place at the school building level. Two of the remaining five schools did not provide a testing policy at the school building level to prove the requirements related to Assessment System Security were implemented.

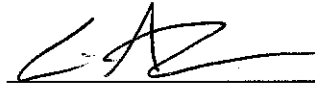
Following the Indiana Department of Education required district level Fall Test Security and Integrity Training the Office of Research, Evaluation, and Assessment (REA) staff collected sign-in sheets for the school level Test Security and Integrity Training that was conducted by principals and/or school test coordinators who attended the district level Training. During the 2018-2019 school year, we will emphasize that all training materials from the required Fall training and all other test security and integrity trainings at the building level, including sign-in sheets from the school level training, must be kept on file at the building level for no less than three years. During the Spring of the 2017-2018 school year REA staff began conducting formal on-site monitoring visits of schools. Review of the building level test security policy is part of this formal visit. In the 2018-2019 school year, we will expand this review to include documentation at the school level of required school trainings having been continually documented and available.

During the Indiana Department of Education required Fall Test Security and Integrity Training, school principals and/or test coordinators were notified that they must create a building test security policy and keep it on file at the school. REA staff provided a template upon request from staff at the school level. These test security policies though were not collected by REA following the Fall Test Security and integrity Training. For the remainder of the 2017-2018 school year, REA staff will work with school leaders to create building level test security plans if they do not exist. Furthermore, we will place a greater emphasis on this during our Fall training during the 2018-2019 school year. We will require submission of these policies to REA with enforcement assistance from other district leaders.

IPS concurs with the finding.

Anticipated Completion Date:

1. Collection/creation if need be of building/school test security polices for the 2017-2018 school year (June 1).
2. Collection of 2018-2019 building/school test security policies (immediately following the 2018-2019 district Fall Test Security and Integrity Training).
3. Review of test security training materials on file at the building level (begins immediately upon on-site monitoring visits and will continue into the 2018-2019 school year).



(Signature)

Assessment Coordinator

(Title)

5/18/18

(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.