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May 12, 2021

Indianapolis Public Schools
120 E Walnut St.
Indianapolis, IN 46204

We have received the audit report of Indianapolis Public Schools which was opined upon by BKD, LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditor's Report*, the financial statements present fairly the financial condition of Indianapolis Public Schools as of June 30, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding on pages 12-13 of the single audit report. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan immediately follows page 14.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

INDIANAPOLIS PUBLIC SCHOOLS
INDIANAPOLIS, INDIANA

FINANCIAL STATEMENTS

June 30, 2020

INDIANAPOLIS PUBLIC SCHOOLS

FINANCIAL STATEMENTS June 30, 2020

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INDIANAPOLIS PUBLIC SCHOOLS

Schedule of Officials (Unaudited)

June 30, 2020

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Weston Young	07-01-16 to 12-31-21
Superintendent of Schools	Aleesia Johnson	01-07-19 to 06-30-21
President of the School Board	Michael O'Connor Evan Hawkins	01-01-18 to 12-31-20 01-01-21 to 12-31-21

Independent Auditor's Report

School Board of Commissioners
Indianapolis Public Schools
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Indianapolis Public Schools (IPS), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise IPS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units of IPS. Those financial statements, which were prepared in accordance with the Financial Accounting Standards Board framework, were each audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of each discretely presented component unit, which conform those financial statements to GASB accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for each discretely presented component unit, prior to these conversion adjustments, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other auditors. 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 statements are free from material misstatement. The financial statements of the following component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*: Edison School of the Arts, Inc., SUPER School, Inc., Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School, Cold Spring School, Inc. and Thrival Indy Academy.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to IPS's preparation and fair presentation of the financial statements 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 IPS'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 statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of IPS, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During 2020, IPS changed its basis of accounting from a regulatory framework to accounting principles generally accepted in the United States of America (USGAAP). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IPS's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 7, 2021, on our consideration of IPS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 IPS' 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 IPS' internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 7, 2021

INDIANAPOLIS PUBLIC SCHOOLS

Statement of Net Position

June 30, 2020

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 120,086,308
Cash and cash equivalents - restricted	90,772,200
Receivables, net	
Interest receivable	728,326
Taxes receivable	86,429,046
Intergovernmental receivable	14,267,201
Other receivables	831,059
Inventories	1,829,025
Prepaid items	2,011,593
Nondepreciable capital assets	3,775,175
Other capital assets, net of depreciation	439,267,979
Net pension asset - TRF	4,347,419
Total assets	764,345,331
Deferred Outflows of Resources	
Pensions	19,625,126
Debt refundings	5,919,255
Other post-employment benefits (OPEB)	380,118
Total deferred outflows of resources	25,924,499
Total assets and deferred outflows of resources	\$ 790,269,830
Liabilities	
Accounts payable	\$ 12,356,611
Accrued payroll and related benefits	26,957,407
Interest payable on bonds and leases	7,188,049
Unearned revenue	7,148,201
Other liabilities	2,885,759
Long-term obligations, due within one year:	
Bonds payable	41,430,000
Leases payable	1,083,976
Long-term obligations, due in more than one year:	
Bonds payable	422,274,448
Leases payable	5,738,297
Compensated absences	4,738,554
Net pension liability - PERF	32,356,574
Other post-employment benefits liability	7,328,737
Total liabilities	571,486,613
Deferred Inflows of Resources	
Pension related deferred inflows	34,451,739
Other post-employment benefits (OPEB)	3,152,955
Accounting gains on refunding transactions	4,722,008
Total deferred inflows of resources	42,326,702
Total liabilities and deferred inflows of resources	613,813,315
Net Position	
Net investment in capital assets	25,844,375
Restricted for:	
Facility maintenance and capital needs	42,110,824
Instruction	4,594,533
Debt service	38,176,488
Severance obligations	4,747,966
Grants	3,714,080
Unrestricted	57,268,249
Total net position	176,456,515
Total liabilities, deferred inflows of resources, and net position	\$ 790,269,830

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Statement of Activities

June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in
				Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	
Functions/Programs				
Primary Government:				
Governmental activities:				
Instruction	\$ 280,441,163	\$ 346,282	\$ 60,926,365	\$ (219,168,516)
Support services	189,796,664	2,770,257	19,064,256	(167,962,151)
Operation of noninstructional services	28,738,001	1,583,004	23,617,638	(3,537,359)
Interest on debt	11,490,060	-	-	(11,490,060)
Nonprogrammed charges	3,357,092	247,344	866,557	(2,243,191)
Total governmental activities	\$ 513,822,980	\$ 4,946,887	\$ 104,474,816	(404,401,277)
General revenues:				
Taxes:				
Local Property Taxes				161,779,266
License Excise Tax				10,887,501
Commercial Vehicle Excise Tax				1,053,886
Financial Institution Tax				4,560,100
Revenue in Lieu of Taxes				35,529
Other Taxes				3,971,635
State basic aid				247,182,874
Gain on sale of capital assets				5,782,311
Investment earnings				3,175,838
Other general revenues				6,406,414
Total general revenues				444,835,354
Change in net position				40,434,077
Net position, beginning of year				136,022,438
Net position, end of year				\$ 176,456,515

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS
 Governmental Funds – Balance Sheet
 June 30, 2020

	Major Funds						Multi-School Building Corporation	Nonmajor Governmental Funds	Total Funds
	Operations Fund	Education Fund	Rainy Day Fund	Operating Referendum Fund	Debt Service Fund	Capital Projects Fund	Debt Service Fund		
Assets									
Cash and cash equivalents	\$ 52,477,778	\$ 25,267,922	\$ 18,919,896	\$ -	\$ -	\$ -	\$ -	\$ 14,037,473	\$ 110,703,069
Cash and cash equivalents - restricted	-	-	-	-	3,580,666	46,250,695	27,639,103	13,301,736	90,772,200
Receivables, net									
Interest receivable	353,259	170,093	-	-	-	146,796	-	58,178	728,326
Taxes receivable	45,749,106	-	-	13,956,393	16,621,846	-	-	10,101,701	86,429,046
Intergovernmental receivable	-	-	-	-	-	-	-	14,267,201	14,267,201
Other receivables	-	-	-	-	-	-	-	831,059	831,059
Inventories	147,138	1,681,887	-	-	-	-	-	-	1,829,025
Prepaid items	416,884	65,035	-	-	-	-	-	1,529,674	2,011,593
Total assets	<u>\$ 99,144,165</u>	<u>\$ 27,184,937</u>	<u>\$ 18,919,896</u>	<u>\$ 13,956,393</u>	<u>\$ 20,202,512</u>	<u>\$ 46,397,491</u>	<u>\$ 27,639,103</u>	<u>\$ 54,127,022</u>	<u>\$ 307,571,519</u>
Liabilities and Deferred Inflows of Resources									
Accounts payable	\$ 4,080,417	\$ 318,927	\$ -	\$ -	\$ -	\$ 3,357,968	\$ -	\$ 4,483,093	\$ 12,240,405
Salaries and payroll deductions payable	2,625,640	20,465,714	-	-	-	-	-	3,866,053	26,957,407
Other current payables	630,000	-	-	-	-	-	-	-	630,000
Unearned revenue	-	-	-	-	-	-	-	7,148,201	7,148,201
Total liabilities	<u>7,336,057</u>	<u>20,784,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,357,968</u>	<u>-</u>	<u>15,497,347</u>	<u>\$ 46,976,013</u>
Deferred Inflows of Resources									
Unavailable revenues	<u>45,871,309</u>	<u>58,841</u>	<u>-</u>	<u>13,956,393</u>	<u>16,621,846</u>	<u>50,781</u>	<u>-</u>	<u>21,072,725</u>	<u>97,631,895</u>
Fund balances									
Nonspendable	564,022	1,746,922	-	-	-	-	-	1,529,674	3,840,618
Restricted - Facility maintenance and capital needs	45,372,777	-	-	-	-	42,988,742	-	-	88,361,519
Restricted - Instruction	-	4,594,533	-	-	-	-	-	-	4,594,533
Restricted - Debt service	-	-	-	-	3,580,666	-	27,639,103	6,956,719	38,176,488
Restricted - Severance obligations	-	-	-	-	-	-	-	4,747,966	4,747,966
Restricted - Grant expenses	-	-	-	-	-	-	-	3,714,080	3,714,080
Committed	-	-	18,919,896	-	-	-	-	-	18,919,896
Assigned - Food service	-	-	-	-	-	-	-	12,608,752	12,608,752
Assigned - Textbook rental	-	-	-	-	-	-	-	966,082	966,082
Assigned - Instruction	-	-	-	-	-	-	-	108,382	108,382
Unassigned	-	-	-	-	-	-	-	(13,074,705)	(13,074,705)
Total fund balance	<u>45,936,799</u>	<u>6,341,455</u>	<u>18,919,896</u>	<u>-</u>	<u>3,580,666</u>	<u>42,988,742</u>	<u>27,639,103</u>	<u>17,556,950</u>	<u>162,963,611</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 99,144,165</u>	<u>\$ 27,184,937</u>	<u>\$ 18,919,896</u>	<u>\$ 13,956,393</u>	<u>\$ 20,202,512</u>	<u>\$ 46,397,491</u>	<u>\$ 27,639,103</u>	<u>\$ 54,127,022</u>	<u>\$ 307,571,519</u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS
 Reconciliation of the Governmental Funds
 Balance Sheet to Statement of Net Position
 June 30, 2020

Total fund balances - governmental funds		\$ 162,963,611
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets, net of depreciation		443,043,154
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences	4,738,554	
Long-term debt, net	463,704,448	
Leases payable	6,822,273	
Net pension asset	(4,347,419)	
Net pension liability	32,356,574	
Other post-employment obligations	7,328,737	(510,603,167)
Total long-term liabilities		
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized when due.		(7,188,049)
Certain tax and interest receivable items are not available to pay for current period expenditures, and therefore are unavailable in the governmental funds.		97,631,895
Certain items related to pension/other post-employment benefit liability, and bond refundings measurements are deferred and recognized in future periods.		
Deferred outflows of resources	25,924,499	
Deferred inflows of resources	(42,326,702)	(16,402,203)
Total		
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		7,011,274
Total net position- governmental activities		\$ 176,456,515

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances Year ended June 30, 2020

	Major Funds							Nonmajor Governmental Funds	Total Governmental Funds
	Operations Fund	Education Fund	Rainy Day Fund	Operating Referendum Fund	Debt Service Fund	Capital Projects Fund	Multi-School Building Corporation Debt Service Fund		
Revenues									
Property taxes	\$ 68,637,059	\$ -	\$ -	\$ 28,253,309	\$ 32,942,400	\$ -	\$ -	\$ 22,227,694	\$ 152,060,462
Other taxes	8,182,081	-	-	2,225,563	3,889,401	-	-	2,305,197	16,602,242
State basic aid	1,078,701	246,085,611	-	-	-	-	-	8,251,077	255,415,389
Investment income	933,592	972,809	-	-	-	833,725	44,037	203,645	2,987,808
Federal sources	-	-	-	-	-	-	2,341,251	46,535,403	48,876,654
Other revenues	7,131,189	449,792	-	-	-	884	121,401	7,116,550	14,819,816
Total revenues	<u>85,962,622</u>	<u>247,508,212</u>	<u>-</u>	<u>30,478,872</u>	<u>36,831,801</u>	<u>834,609</u>	<u>2,506,689</u>	<u>86,639,566</u>	<u>490,762,371</u>
Expenditures									
Instruction	-	177,649,780	-	30,478,872	-	-	-	26,575,763	234,704,415
Support services	99,012,500	46,646,325	-	-	-	2,891,191	390,598	29,658,978	178,599,592
Operation of noninstructional services	59,375	2,628,497	-	-	-	-	-	25,363,398	28,051,270
Nonprogrammed charges	-	-	-	-	-	-	-	3,357,092	3,357,092
Capital outlays	956,102	-	-	-	-	15,183,268	-	1,230,291	17,369,661
Principal payments on debt	1,063,670	-	-	-	-	-	40,285,000	2,690,000	44,038,670
Interest on debt	5,029	-	-	-	-	-	15,434,166	152,072	15,591,267
Other debt services	-	-	-	-	-	1,595	-	-	1,595
Total expenditures	<u>101,096,676</u>	<u>226,924,602</u>	<u>-</u>	<u>30,478,872</u>	<u>-</u>	<u>18,076,054</u>	<u>56,109,764</u>	<u>89,027,594</u>	<u>521,713,562</u>
Excess of revenues over expenditures	<u>(15,134,054)</u>	<u>20,583,610</u>	<u>-</u>	<u>-</u>	<u>36,831,801</u>	<u>(17,241,445)</u>	<u>(53,603,075)</u>	<u>(2,388,028)</u>	<u>(30,951,191)</u>
Other financing sources (uses)									
Proceeds from sales of assets	5,799,253	-	-	-	-	-	-	10,826	5,810,079
Issuance of bonds, par	-	-	-	-	-	26,645,000	355,000	-	27,000,000
Transfers in	57,506,588	17,163,754	-	-	-	15,357,360	52,772,806	5,707,144	148,507,652
Transfers out	(38,285,622)	(35,276,711)	-	-	(36,472,025)	(15,282,210)	(1,183,507)	(22,007,577)	(148,507,652)
Other financing sources (uses)	323	-	-	-	-	270,000	-	47,625	317,948
Total other financing sources (uses)	<u>25,020,542</u>	<u>(18,112,957)</u>	<u>-</u>	<u>-</u>	<u>(36,472,025)</u>	<u>26,990,150</u>	<u>51,944,299</u>	<u>(16,241,982)</u>	<u>33,128,027</u>
Net change in fund balances	<u>9,886,488</u>	<u>2,470,653</u>	<u>-</u>	<u>-</u>	<u>359,776</u>	<u>9,748,705</u>	<u>(1,658,776)</u>	<u>(18,630,010)</u>	<u>2,176,836</u>
Fund balances, beginning of year	<u>36,050,311</u>	<u>3,870,802</u>	<u>18,919,896</u>	<u>-</u>	<u>3,220,890</u>	<u>33,240,037</u>	<u>29,297,879</u>	<u>36,186,960</u>	<u>160,786,775</u>
Fund balances, end of year	<u>\$ 45,936,799</u>	<u>\$ 6,341,455</u>	<u>\$ 18,919,896</u>	<u>\$ -</u>	<u>\$ 3,580,666</u>	<u>\$ 42,988,742</u>	<u>\$ 27,639,103</u>	<u>\$ 17,556,950</u>	<u>\$ 162,963,611</u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities
 Year ended June 30, 2020

Net change in total fund balances \$ 2,176,836

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Capital outlay resulting in assets	5,634,891	
Depreciation expense	<u>(19,232,585)</u>	
Depreciation expense in excess of capital outlays		(13,597,694)

The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt principal repayment	44,038,670	
Debt issuance	<u>(27,000,000)</u>	17,038,670

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Amortization of premiums and discounts		3,734,882
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Governmental funds record the total amount of proceeds received in a sale of capital assets as revenue while governmental activities report only the gain or loss associated with the sale.

(113,608)

Some revenues were not collected as of the close of the fiscal year and therefore were not considered to be "available" and are not reported as revenue in the governmental funds.

The change from fiscal year 2020 and 2019 consists of:

Property Taxes	9,718,804	
Grants Receivable	8,467,152	
Interest	<u>188,030</u>	18,373,986

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds.

Change in deferred outflows and inflows surrounding debt refundings	350,097	
Change in OPEB liabilities and deferred outflows and inflows	4,130,082	
Change in pension asset, liability, and deferred outflows and inflows	3,359,306	
Change in compensated absences	(609,437)	
Change in interest payable	<u>(24,708)</u>	
Total		7,205,340

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The change in net position of the internal service funds is reported with governmental activities.

5,615,665

Change in net position of governmental activities \$ 40,434,077

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Proprietary Fund
Statement of Net Position
June 30, 2020

	Internal Service Fund Self-Insurance Fund
Current assets	
Cash and cash equivalents - unrestricted	\$ 9,383,239
Total assets	<u>\$ 9,383,239</u>
Current liabilities	
Accounts payable	\$ 116,206
Claims payable	<u>2,255,759</u>
Total liabilities	2,371,965
Net Position	
Unrestricted	<u>7,011,274</u>
 Total liabilities and net position	 <u>\$ 9,383,239</u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS
 Proprietary Fund
 Statement of Revenue, Expenses, and Changes in Net Position
 Year ended June 30, 2020

	Internal Service Fund <u>Self-Insurance Fund</u>
Operating revenue	
Insurance premiums paid by employer and employees	\$ 21,191,485
Total operating revenue	<u>21,191,485</u>
 Operating expenses	
Support services	884,659
Nonprogrammed charges - Claim related	<u>14,691,161</u>
Total operating expenses	<u>15,575,820</u>
Operating income	5,615,665
Transfers in	-
Transfers out	-
Net transfers	<u>-</u>
 Change in net position	 5,615,665
Net position, beginning of year	<u>1,395,609</u>
Net position, end of year	<u><u>\$ 7,011,274</u></u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Proprietary Fund
Statement of Cash Flows
Year ended June 30, 2020

	Internal Service Fund Self-Insurance Fund
Cash flows from operating activities	
Cash collected for claims	\$ 21,191,485
Claims paid	(12,568,045)
Other bonds and judgements	(771,874)
Net cash provided by operating activities	<u>7,851,566</u>
Cash and cash equivalents, beginning of year	<u>1,531,673</u>
Cash and cash equivalents, end of year	<u>\$ 9,383,239</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 5,615,665
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Accounts payable	116,206
Claims payable	2,119,695
Net cash provided by operating activities	<u>\$ 7,851,566</u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Fiduciary Fund

Statement of Fiduciary Net Position

June 30, 2020

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,242,939
Total assets	<u>\$ 2,242,939</u>
Liabilities	
Cash held for extracurricular accounts	\$ 753,384
Cash held for employees	502,473
Cash held for students	408
Cash held for vendor payments	<u>986,674</u>
Total liabilities	<u>\$ 2,242,939</u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Discretely Presented Component Units

Statement of Financial Position

June 30, 2020

	Total Discretely Presented Component Units
Assets	
Cash and cash equivalents	\$ 20,932,759
Grants and other receivables	2,662,443
Related party receivables	3,813,623
Prepaid expenses	241,342
Property and equipment, net	14,074,624
Total assets	<u>\$ 41,724,791</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	\$ 3,462,435
Refundable advances payable	283,818
Related party payables	110,786
Notes Payable	11,843,724
PPP notes payable	2,319,263
PPP advances payable	1,877,340
Total liabilities	<u>19,897,366</u>
Net Assets	
Without donor restrictions	21,512,621
With donor restrictions	314,804
Total net assets	<u>21,827,425</u>
Total liabilities and net assets	<u>\$ 41,724,791</u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Discretely Presented Component Units

Statement of Activities

Year ended June 30, 2020

	Total Discretely Presented Component Units
Without Donor Restrictions	
Revenues	
Student based allocations from IPS	\$ 49,996,819
In-kind contributions from IPS	27,070,064
Tax revenues	-
Charges for services	47,330
Grant revenues	15,483,987
Contributions	715,818
PPP funding	1,055,852
Interest income	20,681
Other revenues	394,806
Net assets released from restriction	1,769,636
Total revenues	<u>96,554,993</u>
Expenditures	
Program services	72,439,375
Management and general	19,050,441
Total expenditures	<u>91,489,816</u>
Change in net assets without donor restrictions	<u>5,065,177</u>
With Donor Restrictions	
Revenues	
Contributions and other revenue	1,831,162
Net assets release from restriction	<u>(1,769,636)</u>
Change in net assets with donor restrictions	<u>61,526</u>
Total change in net assets	5,126,703
Net Assets, beginning of year	\$ <u>16,700,722</u>
Net Assets, end of year	\$ <u><u>21,827,425</u></u>

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Discretely Presented Component Units

Statement of Cash Flows

June 30, 2020

	Total Discretely Presented Component Units
Operating Activities	
Change in net assets	\$ 5,126,703
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,162,327
Loss on disposal of equipment	18,031
Withholdings of student based allocation from IPS	(34,093)
Changes in certain assets and liabilities:	
Grants and other receivables	184,532
Related party receivables	175,810
Prepaid expenses	(66,054)
Accounts payable and accrued expenses	721,954
Related party payables	(55,670)
Refundable advances	(54,822)
Refundable advances - PPP loans	1,838,378
Net cash provided in operating activities	<u>9,017,096</u>
Investing Activities	
Purchases of property and equipment	<u>(1,887,770)</u>
Financing Activities	
Proceeds from PPP note payable	2,358,225
Proceeds from notes payable	286,061
Principal payments on notes payable	(407,027)
Net cash provided in financing activities	<u>2,237,259</u>
Net change in cash	<u>9,366,585</u>
Cash and cash equivalents, beginning of year	11,566,174
Cash and cash equivalents, end of year	<u>\$ 20,932,759</u>
Supplemental Information:	
Repayments of notes payable through withholding of student based allocations	\$ 34,093
Cash paid for interest	\$ 11,875
Building and improvements purchased with notes payable Classroom furniture, equipment, and building	\$ 1,020,490
costs in accounts payable and accrued expenses	\$ 232,010
Accrued expenses converted to notes payable	\$ 3,305,129

See accompanying notes to financial statements.

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Indianapolis Public Schools (the “School Corporation”) is the largest public school district in Indiana and was established under the laws of the State of Indiana. IPS operates under a Board of School Trustees form of government and provides educational services. IPS is an agile, innovative educational organization committed to academic excellence built through individualized, relationship-based learning.

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

Blended Component Units: The following component unit has been presented as a blended component unit. The Board of the component unit is made up of three individuals, all of whom are independent of the School Corporation. There is either a financial benefit or burden relationship between the School Corporation and the component unit or management of the primary government has operational responsibility for the component unit or the component units provide services exclusively or almost exclusively to the primary government:

- IPS Multi-School Building Corporation (Building Corporation). The component unit is presented as a portion of debt service and construction funds (capital projects).

The component unit detailed above hold bonds currently outstanding in the amount of \$350,935,000. The School Corporation has entered into lease revenue arrangements with the Building Corporation to pay off the entirety of this debt as scheduled. The lease transactions have been eliminated for the reporting entity presentation of financial statements.

Discretely Presented Component Units: The following component units have been presented as discretely presented component units at June 30, 2020. The Boards of the component units are made up of directors as outlined in accordance with each organization’s bylaws. The component units are part of the School Corporation’s innovation network. Innovation network schools operate with the authority to make decisions about all aspects of their school-both academic and operational. They are held accountable by the school district for achieving high academic goals and strong student achievement. The purpose of innovation network schools is to allow the schools greater flexibility to make decisions based on the specific needs of a school’s student body. The nature and significance of the component units’ relationships with the School Corporation is such that the component units should be included in the reporting entity.

The discretely presented component units detailed below are considered part of the School Corporation’s Local Education Agency (LEA) and operate under the legal title of the School Corporation. In this relationship, the component units have staffing and curricular autonomy, but are included in the Student Based Allocation (“SBA”) process along with direct-managed IPS schools.

1. Cold Spring School, Inc.
2. Edison School of the Arts, Inc.
3. SUPER School, Inc.
4. Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School
5. Thrival Indy Academy
6. The Phalen Leadership Academy – Indiana, Inc. School 103

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The discretely presented component units detailed below are all part of the School Corporation's innovation network but are not part of the School Corporation's LEA. The component units each have their own standing as a LEA. The significance of the level of shared services between the following organizations and the School Corporation is such that the component units should be included in the reporting entity.

1. Neighborhood Charter Network, Inc. (Enlace Academy and Kindezi Academy)
2. Global Preparatory Academy, Inc.
3. URBAN ACT Academy, Inc.
4. Ignite Achievement Academy, Inc.
5. Matchbook Learning Schools of Indiana, Inc.
6. KIPP Indianapolis, Inc. (Unite Elementary, College Prep Middle, and Legacy High School)
7. The Phalen Leadership Academy – Indiana, Inc. School 93

Many of the entity's schools in the above lists may use IPS facilities. In these instances, occupancy costs are considered in-kind contributions to the organization. In addition to occupancy costs, transportation costs account for a large share of in-kind contributions. Transportation costs and debt associated with occupancy costs are paid by IPS on behalf of operators. In many instances, the funding source for these expenses is property tax dollars.

This chart provides more information on School Corporation report of in-kind contributions to these schools:

<u>Discretely Presented Component Unit</u>	<u>Occupancy</u>	<u>Security</u>	<u>Transportation</u>	<u>Food Service</u>	<u>Special Education</u>	<u>General Education and Student Supports</u>	<u>Total</u>
Cold Spring School	\$ 893,993	\$ 41,990	\$ 426,070	\$ -	\$ 162,321	\$ 229,559	\$ 1,753,933
Edison School of the Arts, Inc.	1,507,172	77,999	652,037	507,974	241,537	259,572	3,246,291
SUPER School, Inc.	1,166,144	59,060	480,065	384,632	365,834	349,940	2,805,675
Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School	1,320,181	68,654	382,764	447,115	504,127	677,403	3,400,244
Neighborhood Charter Network, Inc. (Enlace Academy)	1,104,775	71,396	-	-	-	-	1,176,171
Neighborhood Charter Network, Inc. (Kindezi Academy)	968,609	53,204	237,892	54,368	-	309,954	1,624,027
Global Preparatory Academy, Inc.	1,527,527	78,124	450,767	-	-	60,793	2,117,211
URBAN ACT Academy, Inc.	943,750	39,623	363,038	-	-	-	1,346,411
Matchbook Learning Schools of Indiana, Inc.	1,471,589	75,881	475,345	-	222,073	-	2,244,888
Ignite Achievement Academy, Inc.	900,005	51,460	398,925	-	-	88,375	1,438,765
KIPP Indianapolis Inc.	1,403,954	114,881	1,028,111	-	-	-	2,546,946
The Phalen Leadership Academy, Indiana Inc. 103	1,013,953	60,555	105,352	394,370	226,007	358,012	2,158,249
The Phalen Leadership Academy, Indiana Inc. 93	931,609	57,814	215,346	-	-	70,482	1,275,251
	<u>\$ 15,153,261</u>	<u>\$ 850,641</u>	<u>\$ 5,215,712</u>	<u>\$ 1,788,459</u>	<u>\$ 1,721,899</u>	<u>\$ 2,404,090</u>	<u>\$ 27,134,062</u>

Related Parties: The School Corporation is supported by a number of parent teacher organizations and booster groups as well as an Educational Foundation. Each of these organizations are separate legal entities and have their own governing boards. The School Corporation does not control these groups but, does work closely with them to identify areas where they can support educational programs within the schools.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following related parties are schools supported by the School Corporation that are outside of the School Corporation LEA and are not considered component units of the School Corporation because they are not part of the LEA, do not use significant School Corporation facilities or resources or do not receive significant in-kind contributions from the School Corporation.

1. Avondale Meadows Academy, Inc. d/b/a United Schools of Indianapolis (Middle School)
2. Herron High School, Inc. d/b/a Indianapolis Classical Schools (Herron High and Riverside High School)
3. Purdue Polytechnic High School (Downtown)
4. Emma Donnan Elementary School

Government-Wide Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School Corporation. The effect of interfund activity has been removed from these statements. The School Corporation's operating activities are all considered "governmental activities," that is, activities normally supported by taxes and intergovernmental revenues. The School Corporation has no operating activities that would be considered "business type activities."

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) amounts paid by the recipient of goods or services offered by the program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Funds Financial Statements: Governmental funds financial statements are organized and operated on the basis of funds and are used to account for the School Corporation's general governmental activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, deferred inflows of resources, deferred outflows of resources, fund balance, revenues, and expenditures. The minimum number of funds is maintained consistent with legal and managerial requirements. Fiduciary funds are excluded from the government-wide financial statements.

Measurement Focus and Basis of Accounting: The government-wide financial statements, the internal service fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both "measurable and available." "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Corporation considers all revenues available if they are collected within 60 days after year-end.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are recorded when the related fund liability is incurred. However, expenditures for unmatured principal and interest on general long-term debt are recognized when due; and certain compensated absences, claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Major Governmental Funds:

The School Corporation reports the following major governmental funds:

- *Operations Fund* – A special revenue fund that is required by IC 20-40-18. It is used to account for receipt of the operation property tax levy and other excise and local income taxes. It is also used to pay expenses allocated to overhead and operational activities.
- *Education Fund* – A special revenue fund that is required by IC 20-40-2. It is used to account for all tuition receipts and disbursements related to student instruction and learning.
- *Rainy Day Fund* – A special revenue fund that is primarily used to provide temporary interfund loans during the year for cash flow purposes. Temporary loans are made in January and typically repaid by December 31st of the same year.
- *Operating Referendum Fund* – A special revenue fund that accounts for receipt of operating referendum tax remittances and disbursements related to support and operation and maintenance services.
- *Debt Service Fund* – This fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.
- *Capital Projects Fund* – This fund accounts for construction projects and renovations financed through various bond issuances.
- *Multi-School Building Corporation Debt Service Fund* – This fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs related to the capital lease obligations between the School Corporation and the Multi-School Building Corporation.

Other Fund Types:

Additionally, the School Corporation reports the following fund types:

- *Capital Referendum Fund* – A capital projects fund that the School Corporation has chosen to utilize for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs associated with the capital referendum.
- *Nonmajor Debt Service Funds* – Certain nonmajor funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. Pension obligation bonds are the primary obligation serviced by this fund.
- *Special Revenue Funds* – Various funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, other than those accounted for in the Debt Service Fund, Capital Projects Funds, or Fiduciary Funds. Key funds tracked include:

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *School Lunch Fund* – A special revenue fund that accounts for the various grants, receipts and related costs for the school lunch program.
- *Textbook Rental Fund* – A special revenue fund that accounts for the receipts and disbursements related to rental of textbooks and other curricular materials and supplies.
- *Internal Service Funds* – The self-insurance fund is a proprietary fund and accounts for the cost of purchased insurance, the operation and administration of the School Corporation's self-insurance programs, and the cost of administering and collecting the School Corporation's occupational premiums.
- *Fiduciary Funds* – Certain extra-curricular funds, the prepaid lunch fund and various clearing accounts account for assets held by the School Corporation in an agency trustee capacity.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance:

Deposits and Investments: The School Corporation's cash and cash equivalents are considered to be cash on hand, cash invested in state investment pools, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statute (IC 5-13-9) authorizes the School Corporation to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost. Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value. Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

Restricted Assets: All restricted assets, as presented in the accompanying financial statements, are restricted due to debt service requirements, capital requirements and grantor intent.

Interfund Transactions and Balances: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods. These amounts will not be recognized as expense or revenue until the applicable period. The School Corporation's activities are related to recognition of changes in its defined benefit plan's net pension liability that will be amortized in future periods, recognition of changes in its other post-employment benefit plans that will be amortized in future periods and deferred amounts on debt refunding which will be recognized as interest expense over the life of the debt.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items: All material inventories would be recorded at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Revenues: 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 and assessed valuations are 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.

Capital Assets: Capital assets, which include land, land improvements, buildings, equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the School Corporation as assets with an initial individual cost of \$5,000 or more and an estimated useful life of 4 years or more. Such assets are recorded at cost at the date of acquisition if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	40
Buses	10
Other Vehicles	6 - 10
Machinery and Equipment	4 - 10

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Classifications: Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- *Restricted net position* - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the School Corporation's policy to use restricted resources first, and then unrestricted resources as they are needed.

Pensions: The School Corporation has recorded a net pension liability and asset reflecting their proportionate share of the difference between the total pension liabilities and the fiduciary net positions of the Indiana Public Retirement System (INPRS) funds:

- Public Employee's Retirement Fund (PERF) Plan
- Teacher's Retirement Fund (TRF) Plan

Although the School Corporation participates in the TRF Pre-1996 Plan, this has not been included in the measurement of net pension liabilities and related deferred inflows and outflows of resources. The TRF Pre-1996 Plan is a liability of the State of Indiana, due to its status as a special funding situation. The School Corporation does not make contributions to the plan. The School Corporation records revenue and expense at the government wide level for the School's Corporations share of pension expense related to TRF Pre-1996 participants.

For purposes of measuring the net pension liabilities, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS Plans and additions to/deductions from the INPRS Plans' fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits: For purposes of measuring the School Corporation's Post-Employment Benefits Other than Pensions ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Compensated Absences: All full-time employees accrue sick leave, and all full-time 12-month employees accrue vacation days. All employees who are retirement eligible may be paid out for accrued sick leave though at a fixed daily rate. All employees with vacation day accruals are eligible for vacation payout upon separation from the School Corporation at a regular pay rate in an amount determined by their date of separation.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Abatements: Under the state statute, IC 6-1.1-12.1, Marion County, and cities and towns within Marion County, provide tax abatements for rehabilitation or redevelopment of real property in economic revitalization areas. The tax abatements under this statute are for real property tax, personal property and vacant property tax. For Marion County's calendar year 2019, tax amounts of \$2,480,042 were abated which reduced County revenues. The City of Indianapolis reported \$4,502,000. These abatements reported at the County and City level have an estimated impact of approximately \$3.5 million on the School Corporation's collection of property taxes due to allocation to many underlying tax units.

Marion County - Real property	\$	791,117
Marion County - Personal property		1,688,598
Marion County - Vacant property		327
City of Indianapolis - Real property		1,436,000
City of Indianapolis - Personal property		3,066,000
	\$	<u>6,982,042</u>

Commitments and Contingencies: In the ordinary course of business, a number of claims and lawsuits may arise from individuals seeking compensation for incidents occurring in the operation of the School Corporation. In addition, the School Corporation has been named as a defendant litigation relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the School Corporation's financial position. However, in the event of an unfavorable outcome in one or more of these matters, the impact could be material to the School Corporation's financial position or results of operations.

During 2020, a suit was filed against the School Corporation by the previous provider of bus transportation services. The suit asserts claims for breach of contract, fraud, promissory estoppel and unjust enrichment and seeks damages of approximately \$8.3 million. Overall financial loss is not currently able to be estimated and the School Corporation has accrued the stop loss amount of \$250,000 as of June 30, 2020.

Eliminations and Reclassifications: In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and deferred outflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In November 2020, the School Corporation sold \$5.35 million in general obligation bonds. The bonds will be used to pay the costs of renovation of and improvements to school facilities, primarily the purchase of equipment and technology. The bonds mature on July 15, 2021.

In school year 2019-2020, Charter Schools USA (CSUSA) maintained operation of Thomas Carr Howe Community School, Emmerich Manual High School, and Emma Donnan Elementary and Middle Schools. The State Board approved the return of the schools to the School Corporation in January 2020, effective July 1, 2020.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upon return, the School Corporation elected to not operate Thomas Carr Howe Community School but instead engage in re-enrolling those students in existing programs of the School Corporation, giving them heightened enrollment preference, and then engaging with community around potential reuse of the facility. The School Corporation entered into innovation partnerships to manage Emmerich Manual High School and the consolidated K-8 building of Emma Donnan with Christel House Academies-Indiana and Adelante Schools, respectively. Emmerich Manual High School will remain in the School Corporation's LEA network through the 2022-2023 school year as it phases out, and Emma Donnan K-8 is now a charter outside of the LEA network.

NOTE 2 - FUND BALANCES

The components of fund balance include the following line items:

	Operations Fund	Education Fund	Rainy Day Fund	Operating Referendum Fund	Debt Service Fund	Capital Projects Fund	Multi-School Building Corporation Debt Service Fund	Nonmajor Governmental Funds	Total
Nonspendable	\$ 564,022	\$ 1,746,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,529,674	\$ 3,840,618
Restricted									
Facility maintenance and capital needs	45,372,777	-	-	-	-	42,988,742	-	-	88,361,519
Instruction	-	4,594,533	-	-	-	-	-	-	4,594,533
Debt service	-	-	-	-	3,580,666	-	27,639,103	6,956,719	38,176,488
Severance obligations	-	-	-	-	-	-	-	4,747,966	4,747,966
Grant expenses	-	-	-	-	-	-	-	3,714,080	3,714,080
	45,372,777	4,594,533	-	-	3,580,666	42,988,742	27,639,103	15,418,765	139,594,586
Committed	-	-	18,919,896	-	-	-	-	-	18,919,896
Assigned									
Food Service	-	-	-	-	-	-	-	12,608,752	12,608,752
Textbook program	-	-	-	-	-	-	-	966,082	966,082
Instruction	-	-	-	-	-	-	-	108,382	108,382
	-	-	-	-	-	-	-	13,683,216	13,683,216
Unassigned	-	-	-	-	-	-	-	(13,074,705)	(13,074,705)
Total	<u>\$ 45,936,799</u>	<u>\$ 6,341,455</u>	<u>\$ 18,919,896</u>	<u>\$ -</u>	<u>\$ 3,580,666</u>	<u>\$ 42,988,742</u>	<u>\$ 27,639,103</u>	<u>\$ 17,556,950</u>	<u>\$ 162,963,611</u>

Fund Balance Classifications. Fund balances are divided into five classifications for the Governmental Fund financial statements based on Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as follows:

- Nonspendable fund balance is inherently nonspendable, such as portions of net resources that cannot be spent because of their form and portions of net resources that cannot be spent because they must remain intact.
- Restricted fund balance has externally enforceable limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other government as well as limitations imposed by law through constitutional provision or enabling legislation.
- Committed fund balance has self-imposed limitations set in place prior to the end of the period. The limitations are imposed at the highest level of decision making that requires formal action at the same level to remove. For the primary government, the School Corporation Board is the highest level of decision making.

As of June 30, 2020, the Rainy Day was reported as committed for the purpose of funding various expenses to make up for shortfalls should there be a loss of revenue.

- Assigned fund balance represents amounts that are intended to be used by the primary government for specific purposes but do not meet the criteria to be classified as restricted or committed.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 2 - FUND BALANCES (Continued)

- Unassigned fund balance is the total fund balance in the operations or education funds in excess of nonspendable, restricted, committed, and assigned fund balance. Any negative fund balance in other funds would also be classified into this category.

If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, the School Corporation will consider restricted fund balance to have been spent before unrestricted fund balance. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the School Corporation will consider committed fund balance to be spent before assigned fund balance and consider assigned fund balance to be spent before unassigned fund balance.

At June 30, 2020, various nonmajor special revenue funds have deficit fund balances.

NOTE 3 - DEPOSITS AND INVESTMENTS

For governmental activities and fiduciary activities, the carrying amount of all deposits and investments was \$213,101,447 at June 30, 2020.

<u>Type</u>	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash	\$ 72,198,028	\$ 2,242,939	\$ 74,440,967
Money markets	36,388,909	-	36,388,909
Money Markets - Hoosier Fund	67,000,000	-	67,000,000
Trust Indiana	35,271,571	-	35,271,571
	<u>\$ 210,858,508</u>	<u>\$ 2,242,939</u>	<u>\$ 213,101,447</u>

Demand Deposits: For governmental activities and fiduciary activities, the carrying amount of demand deposits was \$72,198,028 at June 30, 2020, while the bank balances were \$76,488,226. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Money Market Accounts: As of June 30, 2020, the School Corporation holds \$103,388,909 in money market accounts for governmental activities and fiduciary activities. Of this, \$67,000,000 is invested in an external investment pool, Hoosier Fund. These money market accounts have been reported under amortized cost and are reported as cash equivalents within the financial statements.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The School Corporation does not have a deposit policy for custodial credit risk, as funds are only deposited into eligible state depositories.

Investments: State statute (IC 5-13-9) authorizes the School Corporation to invest in securities, including but not limited to, federal government securities, repurchase agreements and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local government units.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Accounting Principles Generally Accepted in the United States of America (GAAP) defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the School Corporation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of June 30, 2020, the School Corporation holds the following investments:

Investments measured at net asset value (NAV) (a)

State external investment pool - TrustINDiana	<u>\$ 35,271,571</u>
	<u><u>\$ 35,271,571</u></u>

(a) Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.

Investments at NAV: The School Corporation holds investments measured at NAV with TrustINDiana. TrustINDiana, a local governmental investment pool, seeks to allow local units of government, as well as the State of Indiana, to invest in a common pool of investment assets that preserves the principal of the public's funds, remains highly liquid and maximizes the return on the investment. There are no unfunded commitments or restrictions on redemptions. The fund in which the School Corporation invests is not rated.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 4 – RESTRICTED ASSETS

The School Corporation and the Building Corporation have cash and cash equivalents that are externally restricted for their use by either a tax levy, capital referendum, or bond issuance related funds (debt service or construction proceeds) held by the School Corporation or held in trust for the Building Corporation as follows as of June 30, 2020:

	<u>Bond Funds (Proceeds)</u>	<u>Bond funds (Debt Service)</u>	<u>Severance Obligations</u>	<u>Tax Levy</u>	<u>Grants & Other</u>	<u>Building Corporation Trust (Construction)</u>	<u>Building Corporation Trust (Debt Service)</u>	<u>Total</u>
Governmental Activities:								
Major Funds:								
Debt Service	\$ -	\$ 3,580,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,580,666
Capital Projects	34,923,764	-	-	-	-	11,326,931	-	46,250,695
Multi-School Building Corporation Debt Service								
	-	-	-	-	-	-	27,639,103	27,639,103
Non-Major Funds:								
Debt Service	-	234,725	4,747,966	6,721,995	-	-	-	11,704,686
Grants	-	-	-	-	1,597,050	-	-	1,597,050
Total	<u>\$ 34,923,764</u>	<u>\$ 3,815,391</u>	<u>\$ 4,747,966</u>	<u>\$ 6,721,995</u>	<u>\$ 1,597,050</u>	<u>\$ 11,326,931</u>	<u>\$ 27,639,103</u>	<u>\$ 90,772,200</u>

NOTE 5 - ACCOUNTS RECEIVABLE

The School Corporation reports receivables for property taxes receivable, interest on investments, intergovernmental receivables, and operating activities. Property taxes represent an estimate of anticipated second distribution for the January 1, 2020 tax levy that will be collected in November and December 2020. Intergovernmental receivables are primarily state funding or grants. Intergovernmental receivables are primarily grants distributed from the Indiana Department of Education. Operating accounts receivable at June 30, 2020 consist of student receivables and other receivables. Management has determined certain student receivable accounts to not be fully collectible and has thus recorded an allowance for uncollectible accounts. Receivables balances at June 30, 2020, include the following:

<u>Receivables Category</u>	<u>June 30, 2020 Balance</u>			
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total Receivables</u>
Property taxes	\$ 86,429,046	\$ -	\$ -	\$ 86,429,046
Interest on investments	728,326	-	-	728,326
Intergovernmental	14,267,201	-	-	14,267,201
Operating:				
Student receivables	954,289	-	-	954,289
Other receivables	410,385	-	-	410,385
Total gross operating	1,364,674	-	-	1,364,674
Less allowance for uncollectible accounts	(533,615)	-	-	(533,615)
Net operating	831,059	-	-	831,059
Total Receivables	<u>\$ 102,255,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,255,632</u>

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the School Corporation for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 2,379,719	\$ -	\$ -	\$ 2,379,719
Art Objects	800,340	-	-	800,340
Construction in Progress	4,958,674	2,530,025	6,893,583	595,116
Total nondepreciable capital assets	8,138,733	2,530,025	6,893,583	3,775,175
Other capital assets				
Buildings	971,030,306	5,065,245	17,767,102	958,328,449
Improvements Other Than Buildings	1,142,803	1,827,999	-	2,970,802
Machinery, Equipment and Vehicles	40,424,938	3,104,866	1,921,785	41,608,019
Capital Lease Assets	11,054,284	-	-	11,054,284
Total other capital assets	1,023,652,331	9,998,110	19,688,887	1,013,961,554
Less: Accumulated depreciation				
Buildings	545,088,857	15,236,771	17,767,102	542,558,526
Improvements Other Than Buildings	391,999	74,270	-	466,269
Machinery, Equipment and Vehicles	26,233,071	2,813,087	1,808,177	27,237,981
Capital Lease Assets	3,322,342	1,108,457	-	4,430,799
Total accumulated depreciation	575,036,269	19,232,585	19,575,279	574,693,575
Total other capital assets, net	448,616,062	(9,234,475)	113,608	439,267,979
Total governmental activity capital assets, net	\$ 456,754,795	\$ (6,704,450)	\$ 7,007,191	\$ 443,043,154

Depreciation expense was recognized in the operating activities of the School Corporation as follows:

<u>Governmental Activities</u>	<u>Depreciation</u>
Instruction	\$ 17,211,273
Support services	1,355,417
Operation of noninstructional services	665,895
Total depreciation expense - governmental activities	\$ 19,232,585

As of June 30, 2020, the School Corporation had approximately \$7 million of construction commitments related to building renovations outstanding.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 7 - LONG-TERM LIABILITIES

Changes in General Long-Term Liabilities: The following is the long-term liability activity for the School Corporation for the year ended June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
School Corporation:					
General obligation bonds payable	\$ 34,000,000	\$ -	\$ 1,475,000	\$ 32,525,000	\$ 2,370,000
Bond premiums	941,953	-	352,873	589,080	-
Qualified school construction bonds payable	66,715,000	-	13,400,000	53,315,000	14,780,000
Pension obligation bonds payable	8,570,000	-	2,690,000	5,880,000	2,855,000
Capital leases payable	7,885,943	-	1,063,670	6,822,273	1,083,976
Compensated absences	4,129,117	1,893,392	1,283,955	4,738,554	-
Net pension liability - PERF	37,861,088	5,077,113	10,581,627	32,356,574	-
Net pension liability (asset) - TRF 1996	3,856,999	7,478,014	15,682,432	(4,347,419)	-
Other post-employment benefits liabilities	10,725,397	1,255,365	4,652,025	7,328,737	-
	<u>174,685,497</u>	<u>15,703,884</u>	<u>51,181,582</u>	<u>139,207,799</u>	<u>21,088,976</u>
Multi-School School Building Corporation:					
Revenue bonds payable	349,345,000	27,000,000	25,410,000	350,935,000	21,425,000
Bond premiums	23,854,151	37,454	3,430,923	20,460,682	-
Bond discount	(11,712)	-	(11,398)	(314)	-
	<u>373,187,439</u>	<u>27,037,454</u>	<u>28,829,525</u>	<u>371,395,368</u>	<u>21,425,000</u>
Total long-term liabilities - governmental activities	<u>\$ 547,872,936</u>	<u>\$ 42,741,338</u>	<u>\$ 80,011,107</u>	<u>\$ 510,603,167</u>	<u>\$ 42,513,976</u>

The debt service fund, capital referendum fund, pension obligation debt service fund and the Multi-School Building Corporation debt service fund are typically used to liquidate the above liabilities.

Bonds payable: The School Corporation's General obligation bonds and pension bonds are direct obligations and pledge the full faith and credit of the School Corporation. Bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rate (%)	Face Amount	Carrying Amount
General Obligation Bonds, Series 2018B	12/31/2023	3.80	\$ 21,000,000	\$ 21,000,000
General Obligation Bonds, Series 2018A	7/15/2023	5.00	13,000,000	11,525,000
Qualified School Construction Bonds 2009 C	7/15/2029	4.90 - 5.73	26,000,000	26,000,000
Qualified School Construction Bonds 2010 C	7/15/2025	5.00	36,715,000	27,315,000
IPS Amended Pension Bonds of 2003	1/5/2022	5.17 - 6.03	20,960,000	5,880,000
Total				<u>\$ 91,720,000</u>

The IPS Multi-School Building Corporation revenue bonds are currently outstanding are as follows:

Purpose	Maturity Date	Interest Rate (%)	Face Amount	Carrying Amount
First Mortgage Bonds 2007 Refunding	7/15/2020	4.00 - 5.50	\$ 44,255,000	\$ 6,565,000
First Mortgage Refunding Bonds, Series 2015	1/15/2032	3.00 - 5.00	141,060,000	113,960,000
Ad Valorem Property Tax First Mortgage Refunding Bonds, Series 2016B	1/15/2028	1.94	146,910,000	114,730,000
Unlimited Ad Valorem Property Tax First Mortgage Refunding Bonds, Series 2019	7/5/2029	3.00 - 5.00	89,790,000	88,680,000
Unlimited Ad Valorem Property Tax First Mortgage Bonds, Series 2019	7/5/2038	2.00 - 3.00	27,000,000	27,000,000
Total				<u>\$ 350,935,000</u>

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity for all bonds are as follows for governmental activities:

Fiscal Year	Principal	Interest	Total
2021	\$ 41,430,000	\$ 14,673,186	\$ 56,103,186
2022	43,750,000	13,051,131	56,801,131
2023	44,135,000	11,616,592	55,751,592
2024	42,835,000	10,511,126	53,346,126
2025	40,565,000	9,503,784	50,068,784
2026-2030	187,810,000	26,118,895	213,928,895
2031-2035	35,665,000	2,396,626	38,061,626
2036-2040	6,465,000	391,313	6,856,313
Total	\$ 442,655,000	\$ 88,262,653	\$ 530,917,653

Capital leases: The School Corporation has entered into various lease agreements as lessee for school buses with an interest rate of 1.90%. These assets have an acquisition cost of \$11,054,284, accumulated depreciation of \$4,430,799 and a net book value of \$6,623,485.

Purpose	Maturity Date	Interest Rate %	Face Amount	Carrying Amount
2016 Bus Lease	1/15/2026	1.90	\$ 11,054,284	\$ 6,822,273
Total				\$ 6,822,273

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,083,976	\$ 124,499	\$ 1,208,475
2022	1,104,670	103,805	1,208,475
2023	1,125,758	82,717	1,208,475
2024	1,147,249	61,226	1,208,475
2025	1,169,151	39,325	1,208,476
Thereafter	1,191,469	17,005	1,208,474
Total	\$ 6,822,273	\$ 428,577	\$ 7,250,850

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 8 – INTERFUNDS AND TRANSFERS

Transfers between funds are as follows:

Transfer In	Transfer Out	Amount	Purpose
Operations	Nonmajor fund	\$ 388,416	Indirect cost transfer
Operations	Education	18,000,000	Annual transfer
Operations	Nonmajor fund	23,750	Close out of funds
Operations	Operations (Transportation)	38,145,846	Close out of funds to create Operations Fund - New Statute
Operations	Building Corporation Debt Service	948,576	Transfer of IRS reimbursement
Education	Education (General Fund)	17,163,754	Close out of funds to create Education Fund - New Statute
Capital Projects	Capital Projects	15,282,210	Reimbursement of construction expenses
Capital Projects	Building Corporation Debt Service	75,150	Transfer between Building Corporation trust accounts
Building Corporation Debt Service	Nonmajor fund	16,001,224	Transfer of lease payments for outstanding debt
Building Corporation Debt Service	Debt Service	36,472,025	Transfer of lease payments for outstanding debt
Building Corporation Debt Service	Operations	139,776	Transfer of lease payments for outstanding debt
Building Corporation Debt Service	Building Corporation Debt Service	159,781	Transfer between Building Corporation trust accounts
Nonmajor fund	Education	112,958	Close out of funds
Nonmajor fund	Nonmajor fund	5,590,706	Close out of funds
Nonmajor fund	Nonmajor fund	3,000	Indirect cost transfer
Nonmajor fund	Nonmajor fund	480	Interfund transfer of supplies
	Total	<u>\$ 148,507,652</u>	

NOTE 9 - RISK MANAGEMENT

The School Corporation is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Self-insurance plan: The School Corporation has adopted a plan of self-insuring employee group medical, dental, and workers compensation insurance. The School Corporation became self-insured for its medical insurance on January 1, 2020. Expenses are recorded as incurred. Insurance policies limit the School Corporation's annual liability to \$500,000 per individual and \$500,000 aggregated.

The accrual represents the School Corporation's estimate of claims and fees that were incurred but unpaid as of the end of the year. At June 30, 2020, the School Corporation estimates this liability within the Internal Service Fund balance sheet and Other Liabilities on the Statement of Net Position to be as follows:

	June 30, 2020
	Balance
Liability, beginning of year	<u>\$ 253,392</u>
Add: Current year claims incurred	14,474,257
Less: Payment of current year claims	<u>(12,471,890)</u>
Liability, end of year	<u>\$ 2,255,759</u>

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS

The School Corporation participates in three pension plans, which are administered by the Indiana Public Employees' Retirement System (INPRS).

Pension Plan Fiduciary Net Position: Detailed information about the pension plans' fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plans as a whole. These reports may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Public Employees' Retirement Fund

Plan Description: The School Corporation participates in the Public Employees' Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the My Choice Retirement Savings Plan for Public Employees (My Choice). The School Corporation participates in both plans. Details of the PERF Hybrid Plan are described below.

PERF Hybrid Plan Description: The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Public Employees' Hybrid Members Defined Contribution Account (DC Account), formerly known as the Annuity Savings Account (ASA), which that supplements the defined benefit at retirement.

Contributions: Members are required to contribute 3% of their annual covered salary to their defined contribution account. The primary government is required to contribute at an actuarially determined rate; the current rate for fiscal year 2020 is 11.2% of annual covered payroll. The contribution requirements of plan members and the primary government are established and may be amended by the INPRS Board of Trustees. The actuarial amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PERF plan from the School Corporation were \$6,469,660 for the fiscal year ended June 30, 2020.

Retirement Benefits: The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's DC Account. Pension benefits vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their DC account and will not forfeit creditable service or a full retirement benefit.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the DC Account. A non-vested member who terminates employment prior to retirement may withdraw his/her DC Account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent. The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

Disability and Survivor Benefits: The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

Financial Report: INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report is available online at <http://www.inprs.in.gov/>.

Teachers' Retirement Plan 1996 Account:

Plan Description: The Teachers' Retirement Fund (TRF) is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits. Membership in TRF is required for all legally qualified and regularly employed licensed teachers who serve in public schools of Indiana. State statute (IC 5-10.2) gives the School Corporation authority to contribute and governs most requirements of the system. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account.

For employees entering into TRF-covered employment after July 1, 2019, there are two choices of retirement plans: the TRF Hybrid Plan (Hybrid) and the TRF My Choice Retirement Savings Plan (My Choice). If employees do not make a choice, they will default to the Hybrid plan. Their choice, or default is irrevocable.

Contributions: Contributions are determined by the INPRS Board based on an actuarial valuation. Employers contribute 5.5 percent of covered payroll. No member contributions are required. For the fiscal year ended June 30, 2020, there were approximately 1,800 School Corporation employees participating in TRF with annual pay equal to approximately \$130,000,000.

Both the Hybrid and My Choice plans account consists of members' contributions, set by state statute at 3.0 percent of compensation, plus the interest credited to the member's account. The employer must pay the 3.0 percent contribution for those members enrolled in the My Choice Plan. However, the employer can choose to pay the 3.0 percent contribution for those members enrolled in the Hybrid Plan.

The annuity savings account consists of the member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The School Corporation has elected to make the contributions on behalf of the member. The School Corporation's contributions to both Teachers' Retirement Plans combined, including those made to the annuities on behalf of the members, for the fiscal year ended June 30, 2020, was \$5,263,921.

Retirement Benefits: A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service, 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the TRF-covered position. A member is entitled to an early retirement benefit at age 50 and minimum of 15 years of creditable service. The benefit is 44 percent at age 50, increasing five percent per year up to 89% at age 59.

The lifetime annual benefit equals the years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of \$185 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

Disability and Survivor Benefits: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$185 per month). Under certain conditions, active TRF members may qualify for a classroom disability benefit of at least \$125 per month. If death occurs while in active service, a spouse or dependent beneficiary of a member with a minimum of 15 years of creditable services receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If death occurs while receiving a benefit, a spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Financial report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Teachers' Retirement Pre-1996 Account:

Plan Description: The Indiana State Teachers' Retirement Fund Pre-1996 Account (TRF Pre-1996) is a pay-as-you-go cost-sharing, multiple-employer defined benefit plan providing retirement, disability, and survivor benefits for teachers, administrators, and certain INPRS personnel hired before July 1, 1996. Membership in TRF Pre-1996 is closed to new entrants. TRF Pre-1996 is a component of the Teachers' Hybrid Plan. The Teachers' Hybrid Plan consists of two components: TRF Pre-1996, the monthly employer-funded defined benefit component, along with TRF DC, a member-funded account.

This Plan's pension liabilities are the responsibility of the State of Indiana, so no net pension liability is recorded for the School Corporation's reporting entity. The State of Indiana assumes 100% of the net pension liability for the plan. The net pension liability and pension expense associated with the School Corporation was \$454,723,513 and \$33,404,671 as of, and for the year ended June 30, 2019 valuation date. The School Corporation's share of nonemployer contributing entity contributions made by the State of Indiana was \$40,377,489 for the year ended June 30, 2020.

Retirement Benefits: A member is entitled to a full retirement benefit 1) at age 65 with at least 10 years of creditable service, 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the TRF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the TRF-covered position. A member is entitled to an early retirement benefit at age 50 and minimum of 15 years of creditable service. The benefit is 44 percent of full benefit at age 50, increasing five percent per year up to 89 percent at age 59. The lifetime annual benefit equals the years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1 percent (minimum of \$185 per month). The average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance. Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. For the year ended June 30, 2019, postretirement benefits of \$21.8 million were issued to members as a 13th check.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

Disability and Survivor Benefits: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$185 per month). Under certain conditions, active TRF members may qualify for a classroom disability benefit of at least \$125 per month. If death occurs while in active service, a spouse or dependent beneficiary of a member with a minimum of 15 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If death occurs while receiving a benefit, a spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain & Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.

Contributions: According to statute, the TRF Pre-1996 fund is funded primarily by appropriations from the state general fund and lottery proceeds. No member or employer contributions are required. TRF Pre-1996 Account members contribute three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to ten percent of their compensation into their annuity savings accounts. The School Corporation has elected to make three percent contributions on behalf of their participating employees. For the fiscal year ended June 30, 2020, the School Corporation showed approximately 230 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to approximately \$16,300,000.

Financial Report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (844) 464-6777, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2020, the School Corporation reported a net pension liability of \$32.4 million for PERF and a net pension asset of \$4.3 million for TRF, for their proportionate share of the multiple employer cost-sharing defined benefit plans. The School Corporation's proportionate share of the net pension liability and asset was based on the School Corporation's wages as a proportion of total wages.

	<u>PERF</u>	<u>TRF-1996</u>	<u>Aggregate</u>
Measurement Date	June 30, 2019	June 30, 2019	
Proportionate Share	0.0097900	0.0302620	
Net Pension Liability/(Asset)	\$ 32,356,574	\$ (4,347,419)	\$ 28,009,155
Deferred Outflow of Resources	\$ 7,334,502	\$ 12,290,624	\$ 19,625,126
Deferred Inflow of Resources	\$ 10,125,769	\$ 24,325,970	\$ 34,451,739
Pension Expense	\$ 2,234,163	\$ 6,140,113	\$ 8,374,276

The PERF proportionate share in the previous year was 0.0111453 and TRF-1996 was .0347754.

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

Deferred inflows or outflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5-year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement date and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan.

At June 30, 2020, the School Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Assumptions</u>	PERF		TRF 1996	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 856,791	\$ -	\$ 1,758,687	\$ 4,943,900
Net Difference Between Projected and Actual Investments Earnings on Pension Plan Investments	-	1,529,413	-	2,379,604
Change of Assumptions	7,203	3,517,398	5,135,714	9,878,274
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	848	5,078,958	132,302	7,124,192
	<u>864,842</u>	<u>10,125,769</u>	<u>7,026,703</u>	<u>24,325,970</u>
Contributions Subsequent to the Measurement Date	6,469,660	-	5,263,921	-
Total	<u>\$ 7,334,502</u>	<u>\$ 10,125,769</u>	<u>\$ 12,290,624</u>	<u>\$ 24,325,970</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Fiscal Year</u>	PERF	TRF 1996
2020	\$ (3,272,990)	\$ (1,416,678)
2021	(4,238,093)	(2,787,349)
2022	(1,631,093)	(2,459,222)
2023	(118,751)	(1,704,815)
2024	-	(1,497,123)
Thereafter	<u>-</u>	<u>(7,434,080)</u>
	<u>\$ (9,260,927)</u>	<u>\$ (17,299,267)</u>

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

The long-term return expectation for the defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class is summarized in the following table. The real rates of return are the same for all three pension plans.

	Geometric Basis at June 30, 2020	
	Long Term Expected Rate of Return	Target Asset Allocation
Public Equity	4.9%	22.0%
Private Equity	7.0%	14.0%
Fixed Income - Ex Inflation-Linked	2.5%	20.0%
Fixed Income - Inflation-Linked	1.3%	7.0%
Commodities	2.0%	8.0%
Real Estate	6.7%	7.0%
Absolute Return	2.9%	10.0%
Risk Parity	5.3%	12.0%

Significant Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Description	PERF	TRF 1996 and TRF Pre-1996
Valuation Date: Assets	June 30, 2019	
Liabilities	June 30, 2019	
Actuarial Cost Method (Accounting)	Entry Age Normal - Level Percent of Payroll	
Actuarial Assumptions:		
Experience Study Date	Period of 4 years ended June 30, 2014	Period of 3 years of June 30, 2014
Investment Rate of Return (Accounting)	6.75%	
Cost of Living Increases (COLA) or "Ad Hoc" COLA	2020-2021 - 13th check 2022 - 0.4% 2034 - 0.5% 2039 0.6%	
Future Salary Increases, including Inflation	2.5%-4.25%	2.5%-12.5%
Inflation	2.25%	
Mortality-Healthy	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2014	
Mortality-Disabled	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2014	

Discount Rate: Total pension liability for each defined benefit pension plan was calculated using the discount rates described in the sensitivity table below. The discount rate utilized in the TRF pre-1996 account was 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75% percent for 2020). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 10 - PENSION PLANS (Continued)

Sensitivity: The following presents the School Corporation's share of the net pension liability (asset) calculated using the discount rate of 6.75% percent for 2020, as well as what the School Corporation's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

Discount Rate Sensitivity - Liability / (Asset) at June 30, 2020

Pre-Funded Defined Benefit

PERF			TRF 1996		
1% Decrease (5.75)%	Current Discount Rate (6.75)%	1% Increase (7.75)%	1% Decrease (5.75)%	Current Discount Rate (6.75)%	1% Increase (7.75)%
\$ 51,965,084	\$ 32,356,574	\$ 16,001,575	\$ 26,615,010	\$ (4,347,419)	\$ (29,426,436)

Investment Valuation and Benefit Payment Policies: The following information applies for the 2020 reporting year.

- The pooled and non-pooled investments are reported at fair value by INPRS. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.
- Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.
- Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.
- Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.
- Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' ASAs. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 11 - DEFINED CONTRIBUTION PLANS

The School Corporation provides a 403(b)-retirement plan for all employees. Fulltime employees are eligible for a matching program. The match for each employee is a flat dollar amount on a per pay basis. These benefits pose a liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation who has the authority under which benefits, and contribution requirements are established or can be amended. The School Corporation made contributions of \$288,220 to the plan during the year under audit.

The School Corporation previously provided a 401(a) plan as a buyout of a years of service benefit for any employees meeting specific age, service years and hire date requirements. Those accounts vest when an employee is retiring from the School Corporation upon meeting eligibility requirements for a full pension. The School Corporation made a one-time contribution when the plan was initiated and did not make contributions to the plan during the year under audit.

The School Corporation previously established a VEBA (voluntary employees' beneficiary association) trust account as part of the buyout of a years of service benefit for any employees meeting specific age, service years and other requirements. Those accounts vest when an employee is retiring from the School Corporation upon meeting eligibility requirements for a full pension. The School Corporation made a one-time contribution when the plan was initiated and did not make contributions to the plan during the year under audit.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

Indianapolis Public Schools Retiree Health Insurance Benefits

Plan Description: All employees are eligible for retiree health benefits, including medical, prescription drug, dental, and vision, until Medicare eligibility once they are eligible to retire under Indiana Public Retirement System (INPRS). Eligibility requirements to retire under INPRS are as follows:

- Age 50 with 15 years of service (early reduced retirement)
- Age 55 with 85 points
- Age 60 with 15 years of service

During the fiscal year ended June 30, 2020, the Plan contained 5,206 active employees and 37 retirees.

Benefits Provided: The same benefits are available to retirees as active employees. All health plans are self-insured as of January 1, 2020. The monthly premium rates effective on January 1, 2020 for the new plans are shown below.

<u>Plan</u>	<u>Employee</u>	<u>Employee and Spouse</u>
Plan 1 (Choice HSA)	\$ 772.68	\$ 1,692.42
Plan 2 (Primary Advantage)	\$ 722.58	\$ 1,641.17
Plan 3 (Navigate)	\$ 666.39	\$ 1,431.26

Upon death of retirees, surviving spouses are eligible for COBRA coverage only.

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Contributions: Employees are required to contribute the full cost of health coverage at retirement. During the year, the School Corporation contributed \$563,788 to the Plan to cover benefit payments.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

The OPEB liability measured at July 1, 2019 (measurement date) is as follows:

	Total OPEB Liability
Balance at July 1, 2019	\$ 10,725,397
Service cost	780,093
Interest	434,457
Changes in benefit terms	(541,163)
Changes in assumptions	40,815
Differences between expected and actual experience	(3,547,074)
Benefit payments	(563,788)
Net change in total OPEB liability	(3,396,660)
 Balance at June 30, 2020	 \$ 7,328,737

Activity during the year included the following:

	Plan Fiduciary Net Position
Balance at July 1, 2019	\$ -
Employer contributions	563,788
Benefit payments	(563,788)
Net change in fiduciary net position	-
 Balance at June 30, 2020	 \$ -

OPEB expense for the year ended June 30, 2020 is as follows:

Expense Category:	Amount
Service cost	\$ 780,093
Interest	434,457
Changes of benefit terms	(541,163)
Current period recognition of deferred outflows/ (inflows) of resources:	
Differences between expected and actual experience	(394,119)
Changes in assumptions	4,535
Total OPEB Expense	\$ 283,803

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Deferred outflows and inflows of resources for the year ended June 30, 2020 is as follows:

<u>As of fiscal year ended June 30, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (3,152,955)
Changes in assumptions	36,280	-
Contributions subsequent to the measurement date	343,838	-
Total	<u>\$ 380,118</u>	<u>\$ (3,152,955)</u>

Amortization of deferred outflows/(inflows) of resources are as follows:

<u>Fiscal Year</u>	<u>Amortization of Deferred Outflows/(Inflows)</u>
2021	\$ (389,584)
2022	(389,584)
2023	(389,584)
2024	(389,584)
2025	(389,584)
Thereafter	<u>(1,168,755)</u>
	<u>\$ (3,116,675)</u>

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions:

Description	OPEB Plan
Measurement Date	July 1, 2019
Actuarial Valuation Date	July 1, 2019 with no adjustments to get to the July 1, 2019 measurement date.
Discount Rate	3.51% as of July 1, 2019 and 3.87% as of July 1, 2018 for accounting disclosure purposes.
Payroll Growth	Payroll growth assumption is based on the INPRS PERF and TRF actuarial valuations as of June 30, 2019 (2.5% - 12.5%)
Inflation Rate	2.25% per year
Employer Funding Policy	Pay-as-you-go cash basis
Cost Method	Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: - Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and - Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.
Health Care Coverage Election Rate	Active employees with current coverage: 20% (non-certified) 40% (certified) Active employees with no coverage: 0%
Spousal Coverage	Spousal age and coverage for current retirees is based on actual data.
Mortality	Certified: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP- 2019 Non-certified: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
Disability	None
Turnover Rate	Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Assumption is based on the INPRS PERF and TRF actuarial valuations as of June 30, 2019.
Retirement Rate	Annual retirement rates are based on INPRS PERF and TRF actuarial valuations as of June 30, 2019.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity: The following presents the Total OPEB liability as of June 30, 2020, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

**Discount Rate Sensitivity -
Liability at June 30, 2020**

OPEB Liability

1% Decrease (2.51)%	Current Discount Rate (3.51)%	1% Increase (4.51)%
\$ 7,868,395	\$ 7,328,737	\$ 6,820,283

The following presents the Total OPEB liability as of June 30, 2020, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

**Health Care Trend Rate Sensitivity -
Liability at June 30, 2020**

OPEB Liability

1% Decrease (7.00)%	Current Rate (8.00)%	1% Increase (9.00)%
\$ 6,584,038	\$ 7,328,737	\$ 8,202,675

NOTE 13 – COVID-19 IMPACT

In December 2019, a novel strain of coronavirus surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In response to the pandemic and in compliance with various state and local ordinances, the School Corporation moved instruction to online instruction in the spring of 2020. In the spring and winter of 2020, the School Corporation was allocated approximately \$16.5 million and \$79.7 million, respectively, for increased expenses due to the COVID-19 pandemic. None of this allocated funding was recognized as revenue during the fiscal year 2020 by the School Corporation.

The operations and business results of the School Corporation could be materially adversely affected in the future. In addition, significant estimates as disclosed in Note 1, such as fair values of assets, may be materially adversely impacted by national, state and local events designed to contain the coronavirus.

NOTE 14 – IMPACT OF FUTURE LEGISLATION

Given the nature of its operations, the School Corporation is heavily reliant on future legislation set forth by the State Legislature as a large amount of funding received by the School Corporation is impacted by this legislation. The State's future legislative actions could cause a material impact on the School Corporation's operations and business results in the future.

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS

The statements of financial position for each discretely presented component unit are as follows:

	<u>Cold Spring School, Inc.</u>	<u>Edison School of the Arts, Inc.</u>	<u>SUPER School, Inc.</u>	<u>Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School</u>	<u>Thrival Indy Academy</u>	<u>Neighborhood Charter Network, Inc. Enlace and Kindezi</u>	<u>Global Preparatory Academy, Inc.</u>
Assets							
Cash and cash equivalents	\$ 610,492	\$ 926,391	\$ 975,738	\$ 1,276,059	\$ 71,097	\$ 3,155,081	\$ 3,215,777
Grants and other receivables	97,046	9,007	141,747	12,074	-	957,549	53,211
Related party receivables	-	-	-	-	-	-	-
Prepaid expenses	13,053	59,448	-	-	574	10,000	-
Property and equipment, net	101,017	64,686	-	33,766	-	16,574	56,689
Total assets	<u>\$ 821,608</u>	<u>\$ 1,059,532</u>	<u>\$ 1,117,485</u>	<u>\$ 1,321,899</u>	<u>\$ 71,671</u>	<u>\$ 4,139,204</u>	<u>\$ 3,325,677</u>
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	\$ 224,757	\$ 261,266	\$ 276,530	\$ 137,033	\$ -	\$ 377,901	\$ 141,434
Refundable advances payable	100,000	20,000	-	20,000	-	-	55,947
Related party payables	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	700,000	375,000
PPP notes payable	-	-	-	-	-	-	-
PPP advances payable	-	-	-	323,378	38,962	-	-
Total liabilities	<u>324,757</u>	<u>281,266</u>	<u>276,530</u>	<u>480,411</u>	<u>38,962</u>	<u>1,077,901</u>	<u>572,381</u>
Net Assets							
Without donor restrictions	389,109	759,303	840,955	841,488	32,709	3,061,303	2,753,296
With donor restrictions	107,742	18,963	-	-	-	-	-
Total net assets	<u>496,851</u>	<u>778,266</u>	<u>840,955</u>	<u>841,488</u>	<u>32,709</u>	<u>3,061,303</u>	<u>2,753,296</u>
Total liabilities, deferred inflows of resources	<u>\$ 821,608</u>	<u>\$ 1,059,532</u>	<u>\$ 1,117,485</u>	<u>\$ 1,321,899</u>	<u>\$ 71,671</u>	<u>\$ 4,139,204</u>	<u>\$ 3,325,677</u>

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

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NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	<u>URBAN ACT Academy, Inc.</u>	<u>Matchbook Learning Schools of Indiana, Inc.</u>	<u>Ignite Achievement Academy, Inc.</u>	<u>Kipp Indianapolis, Inc.</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 103</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 93</u>	<u>Total Discretely Presented Component Units</u>
Assets							
Cash and cash equivalents	\$ 1,438,933	\$ 2,002,381	\$ 1,126,606	\$ 3,005,562	\$ 1,821,920	\$ 1,306,722	\$ 20,932,759
Grants and other receivables	155,516	222,762	91,135	667,380	193,017	61,999	2,662,443
Related party receivables	-	-	-	-	2,280,118	1,533,505	3,813,623
Prepaid expenses	-	9,888	14,161	134,218	-	-	241,342
Property and equipment, net	117,413	90,594	773,374	12,539,995	127,309	153,207	14,074,624
Total assets	<u>\$ 1,711,862</u>	<u>\$ 2,325,625</u>	<u>\$ 2,005,276</u>	<u>\$ 16,347,155</u>	<u>\$ 4,422,364</u>	<u>\$ 3,055,433</u>	<u>\$ 41,724,791</u>
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued expenses	\$ 6,345	\$ 535,825	\$ 192,255	\$ 963,876	\$ 89,069	\$ 256,144	\$ 3,462,435
Refundable advances payable	20,000	-	-	67,871	-	-	283,818
Related party payables	-	-	-	46,367	42,874	21,545	110,786
Notes Payable	-	-	-	10,768,724	-	-	11,843,724
PPP notes payable	-	752,000	466,600	-	545,307	555,356	2,319,263
PPP advances payable	-	-	-	1,515,000	-	-	1,877,340
Total liabilities	<u>26,345</u>	<u>1,287,825</u>	<u>658,855</u>	<u>13,361,838</u>	<u>\$ 677,250</u>	<u>833,045</u>	<u>19,897,366</u>
Net Assets							
Without donor restrictions	1,685,517	1,037,800	1,346,421	2,797,218	3,745,114	2,222,388	21,512,621
With donor restrictions	-	-	-	188,099	-	-	314,804
Total net assets	<u>1,685,517</u>	<u>1,037,800</u>	<u>1,346,421</u>	<u>2,985,317</u>	<u>3,745,114</u>	<u>2,222,388</u>	<u>21,827,425</u>
Total liabilities, deferred inflows of resources	<u>\$ 1,711,862</u>	<u>\$ 2,325,625</u>	<u>\$ 2,005,276</u>	<u>\$ 16,347,155</u>	<u>\$ 4,422,364</u>	<u>\$ 3,055,433</u>	<u>\$ 41,724,791</u>

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Notes to the Financial Statements

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NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The statements of activities for each discretely presented component unit are as follows:

	<u>Cold Spring School</u>	<u>Edison School of the Arts, Inc.</u>	<u>SUPER School, Inc.</u>	<u>Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School</u>	<u>Thrival Indy Academy</u>	<u>Neighborhood Charter Network, Inc. Enlace and Kindezi</u>	<u>Global Preparatory Academy, Inc.</u>
Without Donor Restrictions							
Revenues							
Student based allocations from IPS	\$ 2,003,166	\$ 3,711,855	\$ 2,739,346	\$ 3,035,030	\$ -	\$ 7,706,023	\$ 4,589,327
In-kind contributions from IPS	2,027,395	3,246,291	2,805,675	3,400,244	-	2,800,197	1,921,435
Tax revenues	-	-	-	-	-	-	-
Charges for services	17,911	-	23,867	-	-	5,552	-
Grant revenues	205,613	519,880	396,875	758,445	-	2,849,140	1,718,312
Contributions	6,561	12,785	-	-	5,983	15,300	-
PPP funding	-	-	-	260,122	-	-	795,730
Interest income	654	736	2,715	-	35	60	13,636
Other revenues	4,466	44,926	25,423	30,350	-	46,965	105,417
Net assets released from restriction	71,628	609	-	-	-	-	-
Total revenues	<u>4,337,394</u>	<u>7,537,082</u>	<u>5,993,901</u>	<u>7,484,191</u>	<u>6,018</u>	<u>13,423,237</u>	<u>9,143,857</u>
Expenditures							
Program services	3,636,073	6,005,128	5,254,950	5,460,954	-	10,137,670	6,398,949
Management and general	877,147	1,325,414	403,270	1,434,837	170,806	2,638,830	1,634,063
Total expenditures	<u>4,513,220</u>	<u>7,330,542</u>	<u>5,658,220</u>	<u>6,895,791</u>	<u>170,806</u>	<u>12,776,500</u>	<u>8,033,012</u>
Change in net assets without donor restrictions	<u>(175,826)</u>	<u>206,540</u>	<u>335,681</u>	<u>588,400</u>	<u>(164,788)</u>	<u>646,737</u>	<u>1,110,845</u>
With Donor Restrictions							
Revenues							
Contributions and other revenue	-	-	-	-	-	-	-
Net assets release from restriction	(71,628)	(609)	-	-	-	-	-
Change in net assets with donor restrictions	<u>(71,628)</u>	<u>(609)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net assets	<u>(247,454)</u>	<u>205,931</u>	<u>335,681</u>	<u>588,400</u>	<u>(164,788)</u>	<u>646,737</u>	<u>1,110,845</u>
Net Assets, beginning of year	<u>744,305</u>	<u>572,335</u>	<u>505,274</u>	<u>253,088</u>	<u>197,497</u>	<u>2,414,566</u>	<u>1,642,451</u>
Net Assets, end of year	<u>\$ 496,851</u>	<u>\$ 778,266</u>	<u>\$ 840,955</u>	<u>\$ 841,488</u>	<u>\$ 32,709</u>	<u>\$ 3,061,303</u>	<u>\$ 2,753,296</u>

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	<u>URBAN ACT Academy, Inc.</u>	<u>Matchbook Learning Schools of Indiana, Inc.</u>	<u>Ignite Achievement Academy, Inc.</u>	<u>Kipp Indianapolis, Inc.</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 103</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 93</u>	<u>Total Discretely Presented Component Units</u>
Without Donor Restrictions							
Revenues							
Student based allocations from IPS	\$ 2,507,598	\$ 4,576,159	\$ 3,117,363	\$ 8,564,367	\$ 3,938,998	\$ 3,507,587	\$ 49,996,819
In-kind contributions from IPS	1,346,411	2,244,888	1,438,765	2,454,472	2,158,249	1,226,042	27,070,064
Tax revenues	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	47,330
Grant revenues	1,520,464	1,750,556	1,880,257	2,007,691	497,124	1,379,630	15,483,987
Contributions	26,718	9,664	29,818	598,979	10,010	-	715,818
PPP funding	-	-	-	-	-	-	1,055,852
Interest income	308	1,272	1,265	-	-	-	20,681
Other revenues	8,651	844	14,625	113,139	-	-	394,806
Net assets released from restriction	-	-	-	1,697,399	-	-	1,769,636
Total revenues	<u>5,410,150</u>	<u>8,583,383</u>	<u>6,482,093</u>	<u>15,436,047</u>	<u>6,604,381</u>	<u>6,113,259</u>	<u>96,554,993</u>
Expenditures							
Program services	3,620,349	6,638,995	5,315,508	10,674,429	5,041,670	4,254,700	72,439,375
Management and general	902,488	1,580,261	1,130,174	4,623,274	951,754	1,378,123	19,050,441
Total expenditures	<u>4,522,837</u>	<u>8,219,256</u>	<u>6,445,682</u>	<u>15,297,703</u>	<u>5,993,424</u>	<u>5,632,823</u>	<u>91,489,816</u>
Change in net assets without donor restrictions	<u>887,313</u>	<u>364,127</u>	<u>36,411</u>	<u>138,344</u>	<u>610,957</u>	<u>480,436</u>	<u>5,065,177</u>
With Donor Restrictions							
Revenues							
Contributions and other revenue	-	-	-	1,831,162	-	-	1,831,162
Net assets release from restriction	-	-	-	(1,697,399)	-	-	(1,769,636)
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,763</u>	<u>-</u>	<u>-</u>	<u>61,526</u>
Total change in net assets	<u>887,313</u>	<u>364,127</u>	<u>36,411</u>	<u>272,107</u>	<u>610,957</u>	<u>480,436</u>	<u>5,126,703</u>
Net Assets, beginning of year	<u>\$ 798,204</u>	<u>673,673</u>	<u>1,310,010</u>	<u>2,713,210</u>	<u>3,134,157</u>	<u>\$ 1,741,952</u>	<u>\$ 16,700,722</u>
Net Assets, end of year	<u>\$ 1,685,517</u>	<u>\$ 1,037,800</u>	<u>\$ 1,346,421</u>	<u>\$ 2,985,317</u>	<u>\$ 3,745,114</u>	<u>\$ 2,222,388</u>	<u>\$ 21,827,425</u>

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Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The statements of cash flows for each discretely presented component unit are as follows:

	<u>Cold Spring School</u>	<u>Edison School of the Arts, Inc.</u>	<u>SUPER School, Inc.</u>	<u>Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School</u>	<u>Thrival Indy Academy</u>	<u>Neighborhood Charter Network, Inc. Enlace and Kindezi</u>	<u>Global Preparatory Academy, Inc.</u>
Operating Activities							
Change in net assets	\$ (247,454)	\$ 205,931	\$ 335,681	\$ 588,400	\$ (164,788)	\$ 646,737	\$ 1,110,845
Adjustments to reconcile change in net assets to net cash used in operating activities:							
Depreciation	63,934	41,500	-	1,777	-	9,193	14,172
Loss on disposal of equipment	-	-	-	-	-	-	-
Withholdings of student based allocation from IPS	(34,093)	-	-	-	-	-	-
Changes in certain assets and liabilities:							
Grants and other receivables	19,689	177,097	131,533	126,799	-	(411,660)	98,991
Related party receivables	-	-	-	-	-	-	-
Prepaid expenses	(784)	(59,448)	-	-	(574)	-	7,846
Accounts payable and accrued expenses	27,811	59,647	67,686	(7,167)	(2,446)	119,884	37,024
Related party payables	-	-	-	-	-	-	-
Refundable advances	100,000	(9,074)	-	(143,294)	-	-	29,557
Refundable advances - PPP loans	-	-	-	323,378	-	-	-
Net cash provided in operating activities	<u>(70,897)</u>	<u>415,653</u>	<u>534,900</u>	<u>889,893</u>	<u>(167,808)</u>	<u>364,154</u>	<u>1,298,435</u>
Investing Activities							
Purchases of property and equipment	-	(27,988)	-	(35,543)	-	-	(70,861)
Financing Activities							
Proceeds from PPP note payable	-	-	-	-	38,962	-	-
Proceeds from notes payable	-	-	-	-	-	-	-
Principal payments on notes payable	-	-	-	-	-	(100,000)	(50,000)
Net cash provided in financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,962</u>	<u>(100,000)</u>	<u>(50,000)</u>
Net change in cash	<u>(70,897)</u>	<u>387,665</u>	<u>534,900</u>	<u>854,350</u>	<u>(128,846)</u>	<u>264,154</u>	<u>1,177,574</u>
Cash and cash equivalents, beginning of year	681,389	538,726	440,838	421,709	199,943	2,890,927	2,038,203
Cash and cash equivalents, end of year	<u>\$ 610,492</u>	<u>\$ 926,391</u>	<u>\$ 975,738</u>	<u>\$ 1,276,059</u>	<u>\$ 71,097</u>	<u>\$ 3,155,081</u>	<u>\$ 3,215,777</u>
Supplemental Information:							
Repayments of notes payable through withholding of student based allocations	\$ 34,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,750	\$ 4,125
Building and improvements purchased with notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Classroom furniture, equipment, and building costs in accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses converted to notes payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	<u>URBAN ACT Academy, Inc.</u>	<u>Matchbook Learning Schools of Indiana, Inc.</u>	<u>Ignite Achievement Academy, Inc.</u>	<u>Kipp Indianapolis, Inc.</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 103</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 93</u>	<u>Total Discretely Presented Component Units</u>
Operating Activities							
Change in net assets	\$ 887,313	\$ 364,127	\$ 36,411	\$ 272,107	\$ 610,957	\$ 480,436	\$ 5,126,703
Adjustments to reconcile change in net assets to net cash used in operating activities:							
Depreciation	31,198	66,011	107,447	649,544	88,591	88,960	1,162,327
Loss on disposal of equipment	-	-	-	4,519	13,512	-	18,031
Withholdings of student based allocation from IPS	-	-	-	-	-	-	(34,093)
Changes in certain assets and liabilities:							
Grants and other receivables	(27,705)	35,149	1,654	(161,924)	18,279	176,630	184,532
Related party receivables	-	-	-	-	371,805	(195,995)	175,810
Prepaid expenses	-	9,449	484	(23,027)	-	-	(66,054)
Accounts payable and accrued expenses	(111,324)	105,439	33,751	175,249	23,934	192,466	721,954
Related party payables	-	-	-	-	42,874	(98,544)	(55,670)
Refundable advances	(35,730)	-	-	3,719	-	-	(54,822)
Refundable advances - PPP loans	-	-	-	1,515,000	-	-	1,838,378
Net cash provided in operating activities	<u>743,752</u>	<u>580,175</u>	<u>179,747</u>	<u>2,435,187</u>	<u>1,169,952</u>	<u>643,953</u>	<u>9,017,096</u>
Investing Activities							
Purchases of property and equipment	(65,046)	(5,215)	(413,085)	(1,235,383)	(1,060)	(33,589)	(1,887,770)
Financing Activities							
Proceeds from PPP note payable	-	752,000	466,600	-	545,307	555,356	2,358,225
Proceeds from notes payable	-	-	-	286,061	-	-	286,061
Principal payments on notes payable	-	(20,000)	-	(237,027)	-	-	(407,027)
Net cash provided in financing activities	<u>-</u>	<u>732,000</u>	<u>466,600</u>	<u>49,034</u>	<u>545,307</u>	<u>555,356</u>	<u>2,237,259</u>
Net change in cash	<u>678,706</u>	<u>1,306,960</u>	<u>233,262</u>	<u>1,248,838</u>	<u>1,714,199</u>	<u>1,165,720</u>	<u>9,366,585</u>
Cash and cash equivalents, beginning of year	760,227	695,421	893,344	1,756,724	107,721	141,002	11,566,174
Cash and cash equivalents, end of year	<u>\$ 1,438,933</u>	<u>\$ 2,002,381</u>	<u>\$ 1,126,606</u>	<u>\$ 3,005,562</u>	<u>\$ 1,821,920</u>	<u>\$ 1,306,722</u>	<u>\$ 20,932,759</u>
Supplemental Information:							
Repayments of notes payable through withholding of student based allocations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,093
Cash paid for interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,875
Building and improvements purchased with notes payable Classroom furniture, equipment, and building costs in accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 1,020,490	\$ -	\$ -	\$ 1,020,490
Accrued expenses converted to notes payable	\$ -	\$ -	\$ -	\$ 232,010	\$ -	\$ -	\$ 232,010
	\$ -	\$ -	\$ -	\$ 3,305,129	\$ -	\$ -	\$ 3,305,129

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Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

The statements of functional expenses for each discretely presented component unit are as follows:

	<u>Cold Spring School</u>			<u>Edison School of the Arts, Inc.</u>			<u>SUPER School, Inc.</u>			<u>Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School</u>		
	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
In-kind Expenses												
Occupancy	\$ 715,195	\$ 178,799	\$ 893,994	\$ 1,205,736	\$ 301,434	\$ 1,507,170	\$ 1,166,144	\$ -	\$ 1,166,144	\$ 1,056,146	\$ 264,036	\$ 1,320,182
Student transportation	340,856	85,214	426,070	521,630	130,407	652,037	480,065	-	480,065	306,210	76,553	382,763
Food Services	218,770	54,692	273,462	406,379	101,595	507,974	384,632	-	384,632	357,692	89,423	447,115
Special education personnel	313,503	78,376	391,879	193,230	48,308	241,538	365,834	-	365,834	403,302	100,825	504,127
Teaching personnel	-	-	-	207,658	51,915	259,573	349,940	-	349,940	541,922	135,481	677,403
Security services	33,592	8,398	41,990	62,400	15,599	77,999	-	59,060	59,060	54,923	13,731	68,654
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total in-kind expenses	<u>1,621,916</u>	<u>405,479</u>	<u>2,027,395</u>	<u>2,597,033</u>	<u>649,258</u>	<u>3,246,291</u>	<u>2,746,615</u>	<u>59,060</u>	<u>2,805,675</u>	<u>2,720,195</u>	<u>680,049</u>	<u>3,400,244</u>
Direct Expenses												
Salaries and wages	1,433,036	294,540	1,727,576	2,373,431	444,258	2,817,689	1,870,716	179,907	2,050,623	1,920,727	442,266	2,362,993
Employee benefits	381,212	78,643	459,855	637,047	139,839	776,886	538,340	48,037	586,377	352,160	139,255	491,415
Staff development	19,043	-	19,043	78,089	-	78,089	7,621	-	7,621	331,945	95,722	427,667
Professional services	12,384	60,155	72,539	110,169	57,085	167,254	32,931	110,738	143,669	56,729	32,522	89,251
Program activities	37,187	-	37,187	55,388	-	55,388	-	-	-	-	-	-
Supplies and equipment	53,120	9,649	62,769	81,998	15,580	97,578	43,758	4,703	48,461	47,531	21,244	68,775
Insurance	14,241	-	14,241	29,351	7,338	36,689	8,484	-	8,484	29,890	9,548	39,438
Advertising	-	21,764	21,764	-	1,525	1,525	-	-	-	-	13,155	13,155
Depreciation	63,934	-	63,934	41,500	-	41,500	-	-	-	1,777	-	1,777
Food service and costs	-	-	-	-	-	-	3,973	-	3,973	-	-	-
IPS Fee	-	-	-	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-	-	-	-
Books and materials	-	-	-	-	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	295	-	295	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	1,076	1,076
Travel and meetings	-	-	-	-	41	41	2,122	326	2,448	-	-	-
Curriculum	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Occupancy costs	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	6,917	6,917	1,122	10,490	11,612	95	499	594	-	-	-
Total direct expenses	<u>2,014,157</u>	<u>471,668</u>	<u>2,485,825</u>	<u>3,408,095</u>	<u>676,156</u>	<u>4,084,251</u>	<u>2,508,335</u>	<u>344,210</u>	<u>2,852,545</u>	<u>2,740,759</u>	<u>754,788</u>	<u>3,495,547</u>
Total functional expenses	<u>\$ 3,636,073</u>	<u>\$ 877,147</u>	<u>\$ 4,513,220</u>	<u>\$ 6,005,128</u>	<u>\$ 1,325,414</u>	<u>\$ 7,330,542</u>	<u>\$ 5,254,950</u>	<u>\$ 403,270</u>	<u>\$ 5,658,220</u>	<u>\$ 5,460,954</u>	<u>\$ 1,434,837</u>	<u>\$ 6,895,791</u>

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	<u>Thrival Indy Academy</u>			<u>Neighborhood Charter Network, Inc. Enlace and Kindezi</u>			<u>Global Preparatory Academy, Inc.</u>			<u>URBAN ACT Academy, Inc.</u>		
	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
In-kind Expenses												
Occupancy	\$ -	\$ -	\$ -	\$ 2,073,384	\$ -	\$ 2,073,384	\$ 1,138,196	\$ -	\$ 1,138,196	\$ 710,517	\$ -	\$ 710,517
Student transportation	-	-	-	237,892	-	237,892	450,767	-	450,767	363,038	-	363,038
Food Services	-	-	-	54,368	-	54,368	-	-	-	-	-	-
Special education personnel	-	-	-	309,954	-	309,954	-	-	-	-	-	-
Teaching personnel	-	-	-	-	-	-	60,792	-	60,792	-	-	-
Security services	-	-	-	-	124,599	124,599	-	78,124	78,124	39,623	-	39,623
Repairs and maintenance	-	-	-	-	-	-	193,556	-	193,556	233,233	-	233,233
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total in-kind expenses	-	-	-	2,675,598	124,599	2,800,197	1,843,311	78,124	1,921,435	1,346,411	-	1,346,411
Direct Expenses												
Salaries and wages	-	108,825	108,825	4,882,219	1,156,240	6,038,459	2,440,196	975,860	3,416,056	1,241,660	652,357	1,894,017
Employee benefits	-	34,404	34,404	835,198	375,175	1,210,373	596,895	219,124	816,019	239,816	48,336	288,152
Staff development	-	-	-	-	-	-	120,839	-	120,839	27,332	-	27,332
Professional services	-	21,241	21,241	397,859	601,576	999,435	510,936	253,377	764,313	215,044	166,884	381,928
Program activities	-	-	-	-	-	-	-	-	-	-	-	-
Supplies and equipment	-	35	35	23,666	47,780	71,446	369,289	62,008	431,297	87,464	10,591	98,055
Insurance	-	2,961	2,961	33,815	-	33,815	42,905	-	42,905	26,590	-	26,590
Advertising	-	-	-	-	7,688	7,688	-	4,645	4,645	-	10,632	10,632
Depreciation	-	-	-	9,193	-	9,193	14,172	-	14,172	31,198	-	31,198
Food service and costs	-	-	-	562,231	-	562,231	374,768	-	374,768	144,931	-	144,931
IPS Fee	-	-	-	-	120,000	120,000	-	33,871	33,871	-	-	-
Student transportation	-	-	-	366,137	-	366,137	37,260	-	37,260	-	-	-
Books and materials	-	-	-	317,880	96,728	414,608	-	-	-	-	-	-
Information technology	-	1,982	1,982	-	-	-	6,820	1,203	8,023	58,346	-	58,346
Repairs and maintenance	-	-	-	-	-	-	-	-	-	193,930	-	193,930
Travel and meetings	-	950	950	-	-	-	31,989	-	31,989	-	1,742	1,742
Curriculum	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	7,750	7,750	4,125	-	4,125	-	-	-
Occupancy costs	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	408	408	33,874	101,294	135,168	5,444	5,851	11,295	7,627	11,946	19,573
Total direct expenses	-	170,806	170,806	7,462,072	2,514,231	9,976,303	4,555,638	1,555,939	6,111,577	2,273,938	902,488	3,176,426
Total functional expenses	\$ -	\$ 170,806	\$ 170,806	\$ 10,137,670	\$ 2,638,830	\$ 12,776,500	\$ 6,398,949	\$ 1,634,063	\$ 8,033,012	\$ 3,620,349	\$ 902,488	\$ 4,522,837

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	<u>Matchbook Learning Schools of Indiana, Inc.</u>			<u>Ignite Achievement Academy, Inc.</u>			<u>Kipp Indianapolis, Inc.</u>		
	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
In-kind Expenses									
Occupancy	\$ 1,228,513	\$ -	\$ 1,228,513	\$ 855,005	\$ 45,000	\$ 900,005	\$ 1,875,579	\$ -	\$ 1,875,579
Student transportation	475,345	-	475,345	398,925	-	398,925	1,911,999	10,107	1,922,106
Food Services	-	-	-	-	-	-	-	-	-
Special education personnel	222,073	-	222,073	-	-	-	-	-	-
Teaching personnel	-	-	-	-	-	-	-	-	-
Security services	-	75,881	75,881	25,730	25,730	51,460	-	-	-
Repairs and maintenance	243,076	-	243,076	-	-	-	-	-	-
Other expenses	-	-	-	88,375	-	88,375	-	-	-
Total in-kind expenses	<u>2,169,007</u>	<u>75,881</u>	<u>2,244,888</u>	<u>1,368,035</u>	<u>70,730</u>	<u>1,438,765</u>	<u>3,787,578</u>	<u>10,107</u>	<u>3,797,685</u>
Direct Expenses									
Salaries and wages	2,401,937	1,031,282	3,433,219	2,292,063	404,482	2,696,545	5,143,465	3,867,422	9,010,887
Employee benefits	680,146	243,446	923,592	444,743	60,647	505,390	-	-	-
Staff development	34,591	1,130	35,721	141,631	-	141,631	-	67,537	67,537
Professional services	254,656	176,916	431,572	234,563	547,314	781,877	187,279	397,093	584,372
Program activities	-	-	-	-	-	-	-	-	-
Supplies and equipment	137,537	2,695	140,232	83,133	14,671	97,804	237,330	232,162	469,492
Insurance	42,799	-	42,799	39,838	-	39,838	-	-	-
Advertising	4,326	-	4,326	-	-	-	-	-	-
Depreciation	66,011	-	66,011	107,447	-	107,447	649,544	-	649,544
Food service and costs	258,672	-	258,672	160,874	-	160,874	-	-	-
IPS Fee	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Books and materials	-	-	-	-	-	-	-	-	-
Information technology	93,440	-	93,440	216,664	-	216,664	195,497	-	195,497
Repairs and maintenance	212,663	-	212,663	191,216	10,064	201,280	-	-	-
Travel and meetings	47,268	21,540	68,808	13,789	13,789	27,578	-	-	-
Curriculum	216,227	-	216,227	-	-	-	-	-	-
Interest	-	-	-	-	-	-	473,736	-	473,736
Occupancy costs	-	-	-	-	-	-	-	-	-
Other	19,715	27,371	47,086	21,512	8,477	29,989	-	48,953	48,953
Total direct expenses	<u>4,469,988</u>	<u>1,504,380</u>	<u>5,974,368</u>	<u>3,947,473</u>	<u>1,059,444</u>	<u>5,006,917</u>	<u>6,886,851</u>	<u>4,613,167</u>	<u>11,500,018</u>
Total functional expenses	<u>\$ 6,638,995</u>	<u>\$ 1,580,261</u>	<u>\$ 8,219,256</u>	<u>\$ 5,315,508</u>	<u>\$ 1,130,174</u>	<u>\$ 6,445,682</u>	<u>\$ 10,674,429</u>	<u>\$ 4,623,274</u>	<u>\$ 15,297,703</u>

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	<u>The Phalen Leadership Academy - Indiana, Inc. 103</u>			<u>The Phalen Leadership Academy - Indiana, Inc. 93</u>			<u>Total Discretely Presented Component Units</u>		
	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
In-kind Expenses									
Occupancy	\$ 882,238	\$ -	\$ 882,238	\$ 821,885	\$ -	\$ 821,885	\$ 13,728,538	\$ 789,269	\$ 14,517,807
Student transportation	105,352	-	105,352	215,346	-	215,346	5,807,425	302,281	6,109,706
Food Services	394,370	-	394,370	-	-	-	1,816,211	245,710	2,061,921
Special education personnel	226,007	-	226,007	-	-	-	2,033,903	227,509	2,261,412
Teaching personnel	358,012	-	358,012	65,898	-	65,898	1,584,222	187,396	1,771,618
Security services	60,555	-	60,555	57,814	-	57,814	334,637	401,122	735,759
Repairs and maintenance	131,715	-	131,715	65,099	-	65,099	866,679	-	866,679
Other expenses	-	-	-	-	-	-	88,375	-	88,375
Total in-kind expenses	<u>2,158,249</u>	<u>-</u>	<u>2,158,249</u>	<u>1,226,042</u>	<u>-</u>	<u>1,226,042</u>	<u>26,259,990</u>	<u>2,153,287</u>	<u>28,413,277</u>
Direct Expenses									
Salaries and wages	1,911,486	604,911	2,516,397	2,262,113	673,694	2,935,807	30,173,049	10,836,044	41,009,093
Employee benefits	-	-	-	-	-	-	4,705,557	1,386,906	6,092,463
Staff development	30,300	241	30,541	2,820	8,599	11,419	794,211	173,229	967,440
Professional services	233,817	24,948	258,765	6,549	153,208	159,757	2,252,916	2,603,057	4,855,973
Program activities	-	-	-	-	-	-	92,575	-	92,575
Supplies and equipment	316,436	10,098	326,534	73,150	14,155	87,305	1,554,412	445,371	1,999,783
Insurance	-	38,663	38,663	-	53,228	53,228	267,913	111,738	379,651
Advertising	406	-	406	-	-	-	4,732	59,409	64,141
Depreciation	88,591	-	88,591	88,960	-	88,960	1,162,327	-	1,162,327
Food service and costs	15,956	-	15,956	278,076	300	278,376	1,799,481	300	1,799,781
IPS Fee	-	-	-	-	-	-	-	153,871	153,871
Student transportation	1,464	-	1,464	-	-	-	404,861	-	404,861
Books and materials	-	-	-	-	-	-	317,880	96,728	414,608
Information technology	221,663	271,684	493,347	235,219	473,699	708,918	1,027,944	748,568	1,776,512
Repairs and maintenance	-	-	-	-	-	-	597,809	11,140	608,949
Travel and meetings	-	-	-	-	-	-	95,168	38,388	133,556
Curriculum	-	-	-	-	-	-	216,227	-	216,227
Interest	-	-	-	-	-	-	477,861	7,750	485,611
Occupancy costs	63,302	-	63,302	81,771	-	81,771	145,073	-	145,073
Other	-	1,209	1,209	-	1,240	1,240	89,389	224,655	314,044
Total direct expenses	<u>2,883,421</u>	<u>951,754</u>	<u>3,835,175</u>	<u>3,028,658</u>	<u>1,378,123</u>	<u>4,406,781</u>	<u>46,179,385</u>	<u>16,897,154</u>	<u>63,076,539</u>
Total functional expenses	<u>\$ 5,041,670</u>	<u>\$ 951,754</u>	<u>\$ 5,993,424</u>	<u>\$ 4,254,700</u>	<u>\$ 1,378,123</u>	<u>\$ 5,632,823</u>	<u>\$ 72,439,375</u>	<u>\$ 19,050,441</u>	<u>\$ 91,489,816</u>

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Income Taxes: The discretely presented component units (DPCU) are each exempt from income tax under 501(c)(3) of the United States Internal Revenue Code and have been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code.

Property and Equipment, net: The component units may own, rent or utilize facilities from the School Corporation. Kipp Indianapolis, Inc. represents approximately 90% of the overall net property and equipment for the discretely presented component units at June 30, 2020. A summary of Kipp Indianapolis, Inc. and other component units is provided below:

<u>Category</u>	<u>Balance</u>
Buildings and improvements	\$ 11,135,067
Leasehold improvements	186,224
Books and education materials	188,396
Furniture and equipment	1,110,529
Computer equipment	<u>779,054</u>
Total cost	13,399,270
Accumulated depreciation and amortization	<u>(859,275)</u>
Tota Kipp Indianapolis, Inc.	\$ 12,539,995
Other component units (net)	<u>1,534,629</u>
Total discretely presented component units	<u>\$ 14,074,624</u>

Notes payable: Notes payable consisted of the following DCPUs as of June 30, 2020:

	<u>Global Preparatory Academy, Inc.</u>	<u>Neighborhood Charter Network, Inc. Enlace</u>	<u>Neighborhood Charter Network, Inc. Kindezi</u>	<u>Kipp Indianapolis, Inc.</u>	<u>Total</u>
Note payable to State Board of Education	\$ 375,000	\$ 325,000	\$ 375,000	\$ 211,250	\$ 1,286,250
Construction loans	-	-	-	10,557,474	10,557,474
Total Notes Payable	<u>\$ 375,000</u>	<u>\$ 325,000</u>	<u>\$ 375,000</u>	<u>\$ 10,768,724</u>	<u>\$ 11,843,724</u>

Notes payable to the State Board of Education are related to the Common School Fund's Charter and Innovation School Advance Program and bear interest at 1% annum. Kipp Indianapolis, Inc. obtained two construction loans in November 2018 currently outstanding in the amounts of \$1,959,653 and \$8,597,821. The loans bear interest at 6.0% and 5.4% per annum, respectively, and mature in November 2044. Future minimum principal payments on notes payable are as follows:

2021	\$ 182,500
2022	182,500
2023	182,500
2024	337,500
2025	342,500
Thereafter	<u>11,538,750</u>
	12,766,250
Less: bond premium	<u>(922,526)</u>
Total	<u>\$ 11,843,724</u>

(Continued)

INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Related Party Receivables: The Phalen Leadership Academy – Indiana, Inc, reported related party receivables balances for School 103 and School 93 totaling \$3,813,623. These amounts related to the reimbursement of management related functions related to other Phalen activities outside of the Innovation Network agreement.

PPP Advance and Notes Payable: In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) which includes a Small Business Paycheck Protection Program (“PPP”) under the auspices of the federal Small Business Administration (“SBA”). The discretely presented component units detailed below obtained advances or notes payable from financial institutions under the PPP. The interest rate on these loans is 1% and mature throughout fiscal years ending June 30, 2021 and 2022. To the extent the funds are used for qualifying expenses under the program, the discretely presented component unit may apply for loan forgiveness.

Advances payable have been accounted for as conditional grants in accordance with FASB ASC 958-605. As such, the loans have been presented as a refundable advance in the statement of financial position. Notes payable have been accounted for it in accordance with FASB ASC 470, Simplifying the Classification of Debt. When the discretely presented component units meet the conditions of forgiveness, the loans will be recognized into revenue.

The following provide a summary of PPP advance and notes payables balances at June 30, 2020:

<u>Discretely Presented Component Unit</u>	<u>Advances Payable</u>	<u>Notes Payable</u>	<u>Total</u>
Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School	\$ 323,378		\$ 323,378
Thrive Indy Academy	38,962	-	38,962
Matchbook Learning Schools of Indiana, Inc.	-	752,000	752,000
Ignite Achievement Academy, Inc.	-	466,600	466,600
KIPP Indianapolis Inc.	1,515,000	-	1,515,000
The Phalen Leadership Academy, Indiana Inc.	-	1,100,663	1,100,663
	<u>\$ 1,877,340</u>	<u>\$ 2,319,263</u>	<u>\$ 4,196,603</u>

Liquidity and Availability: Financial assets available for general expenditure, within one year, consist of the following at June 30 for the all the discretely presented component units:

<u>Category</u>	<u>Amount</u>
Cash and cash equivalents	\$ 20,932,759
Grants receivable	2,662,443
Related party receivables	<u>3,813,623</u>
	27,408,825
Less:	
Cash designated by Board	(570,000)
Donor restricted funds	<u>(314,804)</u>
Total	<u>\$ 26,524,021</u>

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INDIANAPOLIS PUBLIC SCHOOLS

Notes to the Financial Statements

June 30, 2020

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Retirement and Pension Plans: All of the DPCUs provide retirement benefits covering substantially all full-time employees through defined benefit plans and defined contribution plans (403b and 401(k)).

Defined benefit retirement benefits may be provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. The DPCUs generally make the TRF or both PERF and TRF plans available to employees or the employees can choose to participate in separate defined contribution plans created by the DPCU.

Total expenses recognized by the DPCUs retirement plans were approximately \$2,300,000 during the year ended June 30, 2020.

INDIANAPOLIS PUBLIC SCHOOLS
Required Supplementary Information
Schedule of Proportionate Share of the
Net Pension Liability
June 30, 2020

	PERF					
	2020	2019	2018	2017	2016	2015
School Corporation's proportion of the net pension liability	\$ 32,356,574	\$ 37,861,088	\$ 52,494,074	\$ 56,681,995	\$ 52,350,232	\$ 32,119,674
School Corporation's proportionate share of the net pension liability	0.0097900	0.0111453	0.0117659	0.0124893	0.0128533	0.0122224
School Corporation's covered payroll	\$ 51,006,615	\$ 56,589,791	\$ 58,372,747	\$ 59,856,046	\$ 61,564,691	\$ 59,673,557
School Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	63%	67%	90%	95%	85%	54%
Plan fiduciary net position as a percentage of the total pension liability	80%	79%	77%	75%	77%	84%
	TRF					
	2020	2019	2018	2017	2016	2015
School Corporation's proportion of the net pension liability (asset)	\$ (4,347,419)	\$ 3,856,999	\$ 23,463,425	\$ 29,072,749	\$ 20,185,369	\$ 1,793,302
School Corporation's proportionate share of the net pension liability	0.0302620	0.0347754	0.0354327	0.0372479	0.0383331	0.0377132
School Corporation's covered payroll	\$ 98,658,855	\$ 109,279,189	\$ 106,986,819	\$ 107,285,852	\$ 105,063,619	\$ 97,599,718
School Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	-4%	4%	22%	27%	19%	2%
Plan fiduciary net position as a percentage of the total pension liability	102%	98%	90%	88%	91%	99%

Changes of assumptions: An assumption study was performed in April of 2015 resulting in an update to the following assumptions:

- o Inflation decreased from 3.0% to 2.25%
- o The future salary increase rate decreased from a table ranging from 3.25% to 4.5% to a table ranging from 2.5% to 4.25%
- o Mortality changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report
- o Retirement, Termination and Disability rates were adjusted to reflect recent experience
- o The ASA Annuitization was updated from 50% of members assumed to annuitize the ASA balance to 60% of members prior to January 1, 2017.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Corporation is presenting information for those years for which information is available.

Measurement date: Actuarial valuation reports from the prior plan fiscal year.

Benefit changes: There were no changes to the plan that impacted pension benefits during the fiscal year.

Plan amendments: There were no changes to the plan that impacted pension benefits during the fiscal year.

INDIANAPOLIS PUBLIC SCHOOLS
 Required Supplementary Information
 Schedule of Contributions - Pension
 June 30, 2020

	PERF					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 6,469,660	\$ 5,682,901	\$ 6,300,562	\$ 6,499,644	\$ 6,670,616	\$ 6,840,070
Contributions in relation to the statutorily required contribution	6,469,660	5,682,901	6,300,562	6,499,644	6,670,616	6,840,070
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The School Corporation's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%
School Corporation's covered payroll	\$ 57,905,643	\$ 51,006,615	\$ 56,589,791	\$ 58,372,747	\$ 59,856,046	\$ 61,564,691
Contributions as a percentage of covered payroll	11%	11%	11%	11%	11%	11%
	TRF					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 5,263,921	\$ 7,348,851	\$ 7,887,965	\$ 8,018,118	\$ 8,069,686	\$ 7,885,920
Contributions in relation to the statutorily required contribution	5,263,921	7,348,851	7,887,965	8,018,118	8,069,686	7,885,920
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The School Corporation's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%	100%	100%	100%
School Corporation's covered payroll	\$ 129,720,516	\$ 98,658,855	\$ 109,279,189	\$ 106,986,819	\$ 107,285,852	\$ 105,063,619
Contributions as a percentage of covered payroll	4%	7%	7%	7%	8%	8%

TRF Pre-1996 Contributions - Special Funding Situation:

Contributions made by the State of Indiana for actuarial years June 30, 2019 and June 30, 2018 is \$40,377,489 and \$41,196,630.

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Corporation is presenting information for those years for which information is available. The data provided in the schedule is based as of the measurement date of INPRS net pension liability which is a 1 year lag.

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Actuarial cost method: Entry age normal (Level Percent of Payroll)

Amortization method: Level dollar

Remaining amortization period: 22.5 years, closed - PRF

Remaining amortization period: 30 years, closed - TRF

Asset valuation method: 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

Inflation: 2.25%

Salary increases: .25% - 2%

Investment rate of return: 6.75%

Mortality: RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2014

Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate.

The actuarially determined contribution rate for the State for the fiscal year ended 6/30/19 was 8.51% and 4.44% for PRF and TRF, respectively. However, the INPRS Board approved a State employer contribution rate of 11.2% and 5.5% for PRF and TRF, respectively. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019.

Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2020.

INDIANAPOLIS PUBLIC SCHOOLS
 Required Supplementary Information
 Changes in Total Other Postemployment Benefits Liability
 June 30, 2020

Fiscal year ending June 30,	2020
Total OPEB liability;	
Service cost	\$ 780,093
Interest on the total OPEB liability	434,457
Changes of benefit terms	(541,163)
Changes of assumptions	40,815
Difference between expected and actual experience	(3,547,074)
Benefit payments, including refunds of employee contributions	(563,788)
Net change in total OPEB liability	(3,396,660)
	Total OPEB liability - beginning 10,725,397
	Total OPEB liability - ending \$ 7,328,737
 Plan fiduciary net position;	
Employer contributions	\$ 563,788
Benefit payments, including refunds of employee contributions	(563,788)
Net change in plan fiduciary net position	-
	Plan fiduciary net position - beginning -
	Plan fiduciary net position - ending \$ -
	Total OPEB liability - ending \$ 7,328,737
 Plan fiduciary net position as a percentage of total OPEB liability	0%
Covered payroll	\$ 244,027,809
Total OPEB liability as a percentage of covered payroll	3%

Valuation date: July 1, 2019

Actuarial cost method: Entry age normal level % of salary method

Inflation: 2.25% per year

Salary increases: Payroll growth assumption is based on the INPRS PERF and TRF actuarial valuations as of June 30, 2019.

Investment rate of return: 3.51%

Mortality:

Certified: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP- 2019

Non-certified: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019

Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019

**** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Corporation is presenting information for those years for which information is available.**

INDIANAPOLIS PUBLIC SCHOOLS

Required Supplementary Information

Major Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year ended June 30, 2020

	Operations Fund			Variance from final budget over (under)
	Original Budget	Final Budget	Actual	
Revenues				
Local sources	\$ 82,980,775	\$ 82,980,775	\$ 76,819,140	\$ (6,161,635)
State sources	998,419	998,419	1,078,701	80,282
Other revenues	5,938,026	5,938,026	8,064,781	2,126,755
Total revenues	<u>89,917,220</u>	<u>89,917,220</u>	<u>85,962,622</u>	<u>(3,954,598)</u>
Expenditures				
Support services	140,217,301	140,217,301	99,012,500	(41,204,801)
Operation of noninstructional services	49,585	49,585	59,375	9,790
Capital outlays	2,057,515	2,057,515	956,102	(1,101,413)
Nonprogrammed charges	1,000	1,000	-	(1,000)
Principal payments on debt	-	-	1,063,670	1,063,670
Interest on debt	-	-	5,029	5,029
Total expenditures	<u>142,325,401</u>	<u>142,325,401</u>	<u>101,096,676</u>	<u>(41,228,725)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,408,181)</u>	<u>(52,408,181)</u>	<u>(15,134,054)</u>	<u>37,274,127</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	5,799,253	5,799,253
Transfers in	-	-	57,506,588	57,506,588
Transfers out	-	-	(38,285,622)	(38,285,622)
Other financing sources (uses)	-	-	323	323
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>25,020,542</u>	<u>25,020,542</u>
Net change in fund balances	<u>\$ (52,408,181)</u>	<u>\$ (52,408,181)</u>	9,886,488	<u>\$ 62,294,669</u>
Fund balances at beginning of year			<u>36,050,311</u>	
Fund balances at end of year			<u>\$ 45,936,799</u>	

INDIANAPOLIS PUBLIC SCHOOLS

Required Supplementary Information

Major Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year ended June 30, 2020

	Education Fund			Variance from final budget over (under)
	Original Budget	Final Budget	Actual	
Revenues				
Local sources	\$ 1,508,880	\$ 1,508,880	\$ -	\$ (1,508,880)
State sources	245,694,029	245,694,029	246,085,611	391,582
Other revenues	1,580	1,580	41,800,090	41,798,510
Total revenues	<u>247,204,489</u>	<u>247,204,489</u>	<u>287,885,701</u>	<u>40,681,212</u>
Expenditures				
Instruction	188,054,384	188,054,384	218,027,269	29,972,885
Support services	41,797,549	41,797,549	46,646,325	4,848,776
Operation of noninstructional services	3,124,553	3,124,553	2,628,497	(496,056)
Capital outlays	2,023,515	2,023,515	-	(2,023,515)
Total expenditures	<u>235,000,001</u>	<u>235,000,001</u>	<u>267,302,091</u>	<u>32,302,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,204,488</u>	<u>12,204,488</u>	<u>20,583,610</u>	<u>8,379,122</u>
Other financing sources (uses)				
Transfers in	-	-	17,163,754	17,163,754
Transfers out	-	-	(35,276,711)	(35,276,711)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(18,112,957)</u>	<u>(18,112,957)</u>
Net change in fund balances	<u>\$ 12,204,488</u>	<u>\$ 12,204,488</u>	<u>2,470,653</u>	<u>\$ (9,733,835)</u>
Fund balances at beginning of year			<u>3,870,802</u>	
Fund balances at end of year			<u>\$ 6,341,455</u>	

INDIANAPOLIS PUBLIC SCHOOLS

Required Supplementary Information

Major Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year ended June 30, 2020

	Rainy Day			Variance from final budget over (under)
	Original Budget	Final Budget	Actual	
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Other revenues	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Support services	10,000,000	10,000,000	-	(10,000,000)
Total expenditures	10,000,000	10,000,000	-	(10,000,000)
Excess (deficiency) of revenues over (under) expenditures	(10,000,000)	(10,000,000)	-	10,000,000
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	<u>\$ (10,000,000)</u>	<u>\$ (10,000,000)</u>	-	<u>\$ 10,000,000</u>
Fund balances at beginning of year			18,919,896	
Fund balances at end of year			<u>\$ 18,919,896</u>	

INDIANAPOLIS PUBLIC SCHOOLS

Required Supplementary Information

Major Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year ended June 30, 2020

	Operating Referendum			Variance from final budget over (under)
	Original Budget	Final Budget	Actual	
Revenues				
Local sources	\$ 32,356,721	\$ 32,356,721	\$ 30,478,872	\$ (1,877,849)
Total revenues	32,356,721	32,356,721	30,478,872	(1,877,849)
Expenditures				
Instruction	32,000,000	32,000,000	30,478,872	(1,521,128)
Total expenditures	32,000,000	32,000,000	30,478,872	(1,521,128)
Excess (deficiency) of revenues over (under) expenditures	356,721	356,721	-	(356,721)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 356,721	\$ 356,721	-	\$ (356,721)
Fund balances at beginning of year			-	
Fund balances at end of year			\$ -	

INDIANAPOLIS PUBLIC SCHOOLS
Other Supplementary Information (Unaudited)
Innovation Schools Network
Combining Statement of Net Position
Year ended June 30, 2020

	<u>Cold Spring School, Inc.</u>	<u>Edison School of the Arts, Inc.</u>	<u>SUPER School, Inc.</u>	<u>Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School</u>	<u>Thrival Indy Academy</u>	<u>Neighborhood Charter Network, Inc. Enlace Academy</u>	<u>Neighborhood Charter Network, Inc. Kindezi Academy</u>	<u>Global Preparatory Academy, Inc.</u>	<u>URBAN ACT Academy, Inc.</u>
Assets									
Cash and cash equivalents	\$ 610,492	\$ 926,391	\$ 975,738	\$ 1,276,059	\$ 71,097	\$ 1,933,364	\$ 1,221,717	\$ 3,215,777	\$ 1,438,933
Grants receivable and other receivables	97,046	9,007	141,747	12,074	-	549,413	408,136	53,211	155,516
Related party receivables	-	-	-	-	-	-	-	-	-
Prepaid expenses	13,053	59,448	-	-	574	10,000	-	-	-
Property and equipment, net	101,017	64,686	-	33,766	-	-	16,574	56,689	117,413
Notes receivable and other assets	-	-	-	-	-	-	-	-	-
Pension, OPEB and Deferreds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 821,608</u>	<u>\$ 1,059,532</u>	<u>\$ 1,117,485</u>	<u>\$ 1,321,899</u>	<u>\$ 71,671</u>	<u>\$ 2,492,777</u>	<u>\$ 1,646,427</u>	<u>\$ 3,325,677</u>	<u>\$ 1,711,862</u>
Liabilities and Net Assets									
Liabilities									
Accounts payable and accrued expenses	\$ 224,757	\$ 261,266	\$ 276,530	\$ 137,033	\$ -	\$ 212,941	\$ 164,960	\$ 141,434	\$ 6,345
Refundable advances payable	100,000	20,000	-	20,000	-	-	-	55,947	20,000
Related party payables	-	-	-	-	-	-	-	-	-
Notes Payable	-	-	-	-	-	325,000	375,000	375,000	-
PPP notes payable	-	-	-	-	-	-	-	-	-
PPP advances payable	-	-	-	323,378	38,962	-	-	-	-
Pension, OPEB and Deferreds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>324,757</u>	<u>281,266</u>	<u>276,530</u>	<u>480,411</u>	<u>38,962</u>	<u>537,941</u>	<u>539,960</u>	<u>572,381</u>	<u>26,345</u>
Net Assets									
Without donor restrictions	389,109	759,303	840,955	841,488	32,709	1,954,836	1,106,467	2,753,296	1,685,517
With donor restrictions	<u>107,742</u>	<u>18,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>496,851</u>	<u>778,266</u>	<u>840,955</u>	<u>841,488</u>	<u>32,709</u>	<u>1,954,836</u>	<u>1,106,467</u>	<u>2,753,296</u>	<u>1,685,517</u>
Total liabilities and net assets	<u>\$ 821,608</u>	<u>\$ 1,059,532</u>	<u>\$ 1,117,485</u>	<u>\$ 1,321,899</u>	<u>\$ 71,671</u>	<u>\$ 2,492,777</u>	<u>\$ 1,646,427</u>	<u>\$ 3,325,677</u>	<u>\$ 1,711,862</u>

INDIANAPOLIS PUBLIC SCHOOLS
Other Supplementary Information (Unaudited)
Innovation Schools Network
Combining Statement of Net Position
Year ended June 30, 2020

	<u>Matchbook Learning Schools of Indiana, Inc.</u>	<u>Ignite Achievement Academy, Inc.</u>	<u>Kipp Indianapolis, Inc. Kipp Indy College Prep Middle School</u>	<u>Kipp Indianapolis, Inc. Kipp Indy Unite Elementary School</u>	<u>Kipp Indianapolis, Inc. Kipp Indy Legacy High School</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 103</u>	<u>The Phalen Leadership Academy - Indiana, Inc. 93</u>	<u>Total Innovation Network Schools Discretely Presented Component Units</u>
Assets								
Cash and cash equivalents	\$ 2,002,381	\$ 1,126,606	\$ 1,032,148	\$ 1,958,194	\$ 15,220	\$ 1,821,920	\$ 1,306,722	\$ 20,932,759
Grants receivable and other receivables	222,762	91,135	191,804	282,508	193,068	193,017	61,999	2,662,443
Related party receivables	-	-	-	-	-	2,280,118	1,533,505	3,813,623
Prepaid expenses	9,888	14,161	39,257	62,395	32,566	-	-	241,342
Property and equipment, net	90,594	773,374	381,790	613,959	11,544,246	127,309	153,207	14,074,624
Notes receivable and other assets	-	-	-	-	-	-	-	-
Pension, OPEB and Deferreds	-	-	-	-	-	-	-	-
Total assets	<u>\$ 2,325,625</u>	<u>\$ 2,005,276</u>	<u>\$ 1,644,999</u>	<u>\$ 2,917,056</u>	<u>\$ 11,785,100</u>	<u>\$ 4,422,364</u>	<u>\$ 3,055,433</u>	<u>\$ 41,724,791</u>
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 535,825	\$ 192,255	\$ 371,767	\$ 445,061	\$ 147,048	\$ 89,069	\$ 256,144	\$ 3,462,435
Refundable advances payable	-	-	366	629	66,876	-	-	283,818
Related party payables	-	-	16,367	30,000	-	42,874	21,545	110,786
Notes Payable	-	-	130,000	81,250	10,557,474	-	-	11,843,724
PPP notes payable	752,000	466,600	-	-	-	545,307	555,356	2,319,263
PPP advances payable	-	-	481,267	890,628	143,105	-	-	1,877,340
Pension, OPEB and Deferreds	-	-	-	-	-	-	-	-
Total liabilities	<u>1,287,825</u>	<u>658,855</u>	<u>999,767</u>	<u>1,447,568</u>	<u>10,914,503</u>	<u>677,250</u>	<u>833,045</u>	<u>19,897,366</u>
Net Assets								
Without donor restrictions	1,037,800	1,346,421	575,890	1,350,731	870,597	3,745,114	2,222,388	21,512,621
With donor restrictions	-	-	69,342	118,757	-	-	-	314,804
Total net assets	<u>1,037,800</u>	<u>1,346,421</u>	<u>645,232</u>	<u>1,469,488</u>	<u>870,597</u>	<u>3,745,114</u>	<u>2,222,388</u>	<u>21,827,425</u>
Total liabilities and net assets	<u>\$ 2,325,625</u>	<u>\$ 2,005,276</u>	<u>\$ 1,644,999</u>	<u>\$ 2,917,056</u>	<u>\$ 11,785,100</u>	<u>\$ 4,422,364</u>	<u>\$ 3,055,433</u>	<u>\$ 41,724,791</u>

INDIANAPOLIS PUBLIC SCHOOLS
Other Supplementary Information (Unaudited)
Innovation Schools Network
Combining Statement of Net Position
Year ended June 30, 2020

	Avondale Meadows Academy Middle School	Herron High School	Herron Riverside High School/LLC	Purdue Polytechnic High School	Emma Donnan Elementary	Total Innovation Network Schools	Indianapolis Public Schools Educational Foundation, Inc.	Indianapolis Public Schools	Total Indianapolis Public Schools and Educational Foundation, Inc.	Indianapolis Public Schools & Educational Fnd. & Innovation Network Schools
Assets										
Cash and cash equivalents	\$ 640,893	\$ 2,963,055	\$ 877,935	\$ 1,356,364	\$ 72,844	\$ 26,843,850	\$ 3,179,095	\$ 210,858,508	\$ 214,037,603	\$ 240,881,453
Grants receivable and other receivables	98,998	244,390	149,278	272,427	-	3,427,536	2,072,504	102,255,632	104,328,136	107,755,672
Related party receivables	-	-	-	-	97,356	3,910,979	-	-	-	3,910,979
Prepaid expenses	35,788	73,811	9,141	118,988	-	479,070	-	-	-	479,070
Property and equipment, net	5,332,986	7,815,161	9,298,849	1,403,960	5,801	37,931,381	-	443,043,154	443,043,154	480,974,535
Notes receivable and other assets	-	-	6,116,572	-	-	6,116,572	-	8,188,037	8,188,037	14,304,609
Pension, OPEB and Deferreds	-	-	-	-	29,146	29,146	-	25,924,499	25,924,499	25,953,645
Total assets	<u>\$ 6,108,665</u>	<u>\$ 11,096,417</u>	<u>\$ 16,451,775</u>	<u>\$ 3,151,739</u>	<u>\$ 205,147</u>	<u>\$ 78,738,534</u>	<u>\$ 5,251,599</u>	<u>\$ 790,269,830</u>	<u>\$ 795,521,429</u>	<u>\$ 874,259,963</u>
Liabilities and Net Assets										
Liabilities										
Accounts payable and accrued expenses	\$ 210,168	\$ 846,543	\$ 390,096	\$ 707,337	\$ 182,342	\$ 5,798,921	\$ 232,346	\$ 54,086,532	\$ 54,318,878	\$ 60,117,799
Refundable advances payable	-	-	-	-	-	283,818	-	-	-	283,818
Related party payables	-	-	-	-	-	110,786	-	-	-	110,786
Notes Payable	4,802,972	4,895,840	10,779,401	-	-	32,321,937	-	477,714,770	477,714,770	510,036,707
PPP notes payable	-	1,193,552	440,260	-	-	3,953,075	-	-	-	3,953,075
PPP advances payable	256,688	-	-	427,183	-	2,561,211	-	-	-	2,561,211
Pension, OPEB and Deferreds	-	-	-	-	40,077	40,077	-	82,012,013	82,012,013	82,052,090
Total liabilities	<u>5,269,828</u>	<u>6,935,935</u>	<u>11,609,757</u>	<u>1,134,520</u>	<u>222,419</u>	<u>45,069,825</u>	<u>232,346</u>	<u>613,813,315</u>	<u>614,045,661</u>	<u>659,115,486</u>
Net Assets										
Without donor restrictions	729,396	2,606,054	4,837,540	1,847,936	-	31,533,547	975,568	83,112,624	84,088,192	115,621,739
With donor restrictions	109,441	1,554,428	4,478	169,283	(17,272)	2,135,162	4,043,685	93,343,891	97,387,576	99,522,738
Total net assets	<u>838,837</u>	<u>4,160,482</u>	<u>4,842,018</u>	<u>2,017,219</u>	<u>(17,272)</u>	<u>33,668,709</u>	<u>5,019,253</u>	<u>176,456,515</u>	<u>181,475,768</u>	<u>215,144,477</u>
Total liabilities and net assets	<u>\$ 6,108,665</u>	<u>\$ 11,096,417</u>	<u>\$ 16,451,775</u>	<u>\$ 3,151,739</u>	<u>\$ 205,147</u>	<u>\$ 78,738,534</u>	<u>\$ 5,251,599</u>	<u>\$ 790,269,830</u>	<u>\$ 795,521,429</u>	<u>\$ 874,259,963</u>

INDIANAPOLIS PUBLIC SCHOOLS
 Other Supplementary Information (Unaudited)
 Innovation Schools Network
 Combining Statement of Activities
 Year ended June 30, 2020

	Cold Spring School	Edison School of the Arts, Inc.	SUPER School, Inc.	Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School	Thrival Indy Academy	Neighborhood Charter Network, Inc. Enlace Academy	Neighborhood Charter Network, Inc. Kindezi Academy	Global Preparatory Academy, Inc.	URBAN ACT Academy, Inc.
Without Donor Restrictions									
Revenues									
Student based allocations from IPS	\$ 2,003,166	\$ 3,711,855	\$ 2,739,346	\$ 3,035,030	\$ -	\$ 4,316,132	\$ 3,389,891	\$ 4,589,327	\$ 2,507,598
In-kind contributions from IPS	2,027,395	3,246,291	2,805,675	3,400,244	-	1,176,171	1,624,026	1,921,435	1,346,411
Tax revenues	-	-	-	-	-	-	-	-	-
Charges for services	17,911	-	23,867	-	-	5,552	-	-	-
Grant revenues	205,613	519,880	396,875	758,445	-	1,682,856	1,166,284	1,718,312	1,520,464
Contributions	6,561	12,785	-	-	5,983	300	15,000	-	26,718
PPP funding	-	-	-	260,122	-	-	-	795,730	-
Interest income	654	736	2,715	-	35	60	-	13,636	308
Other revenues	4,466	44,926	25,423	30,350	-	32,854	14,111	105,417	8,651
Net assets released from restriction	71,628	609	-	-	-	-	-	-	-
Total revenues	<u>4,337,394</u>	<u>7,537,082</u>	<u>5,993,901</u>	<u>7,484,191</u>	<u>6,018</u>	<u>7,213,925</u>	<u>6,209,312</u>	<u>9,143,857</u>	<u>5,410,150</u>
Expenditures									
Program services	3,636,073	6,005,128	5,254,950	5,460,954	-	5,385,958	4,751,712	6,398,949	3,620,349
Fundraising	-	-	-	-	-	-	-	-	-
Management and general	877,147	1,325,414	403,270	1,434,837	170,806	1,501,033	1,137,797	1,634,063	902,488
Total expenditures	<u>4,513,220</u>	<u>7,330,542</u>	<u>5,658,220</u>	<u>6,895,791</u>	<u>170,806</u>	<u>6,886,991</u>	<u>5,889,509</u>	<u>8,033,012</u>	<u>4,522,837</u>
Change in net assets without donor restrictions	(175,826)	206,540	335,681	588,400	(164,788)	326,934	319,803	1,110,845	887,313
With Donor Restrictions									
Revenues									
Contributions and other revenue	-	-	-	-	-	-	-	-	-
Net assets release from restriction	(71,628)	(609)	-	-	-	-	-	-	-
Change in net assets with donor restrictions	<u>(71,628)</u>	<u>(609)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net assets	<u>(247,454)</u>	<u>205,931</u>	<u>335,681</u>	<u>588,400</u>	<u>(164,788)</u>	<u>326,934</u>	<u>319,803</u>	<u>1,110,845</u>	<u>887,313</u>
Transfers of net assets	-	-	-	-	-	-	-	-	-
Contributions from LLC Members	-	-	-	-	-	-	-	-	-
Net Assets, beginning of year	<u>744,305</u>	<u>572,335</u>	<u>505,274</u>	<u>253,088</u>	<u>197,497</u>	<u>1,627,902</u>	<u>786,664</u>	<u>1,642,451</u>	<u>798,204</u>
Net Assets, end of year	<u>\$ 496,851</u>	<u>\$ 778,266</u>	<u>\$ 840,955</u>	<u>\$ 841,488</u>	<u>\$ 32,709</u>	<u>\$ 1,954,836</u>	<u>\$ 1,106,467</u>	<u>\$ 2,753,296</u>	<u>\$ 1,685,517</u>

INDIANAPOLIS PUBLIC SCHOOLS
Other Supplementary Information (Unaudited)
Innovation Schools Network
Combining Statement of Activities
Year ended June 30, 2020

	Matchbook Learning Schools of Indiana, Inc.	Ignite Achievement Academy, Inc.	Kipp Indianapolis, Inc. Kipp Indy College Prep Middle School	Kipp Indianapolis, Inc. Kipp Indy Unite Elementary School	Kipp Indianapolis, Inc. Kipp Indy Legacy High School	The Phalen Leadership Academy - Indiana, Inc. 103	The Phalen Leadership Academy - Indiana, Inc. 93	Total Innovation Network Schools Discretely Presented Component Units
Without Donor Restrictions								
Revenues								
Student based allocations from IPS	\$ 4,576,159	\$ 3,117,363	\$ 2,479,786	\$ 5,205,076	\$ 879,505	\$ 3,938,998	\$ 3,507,587	\$ 49,996,819
In-kind contributions from IPS	2,244,888	1,438,765	784,061	1,664,930	5,481	2,158,249	1,226,042	27,070,064
Tax revenues	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	47,330
Grant revenues	1,750,556	1,880,257	661,558	1,241,898	104,235	497,124	1,379,630	15,483,987
Contributions	9,664	29,818	103,906	142,170	352,903	10,010	-	715,818
PPP funding	-	-	-	-	-	-	-	1,055,852
Interest income	1,272	1,265	-	-	-	-	-	20,681
Other revenues	844	14,625	28,401	79,742	4,996	-	-	394,806
Net assets released from restriction	-	-	427,947	826,885	442,567	-	-	1,769,636
Total revenues	<u>8,583,383</u>	<u>6,482,093</u>	<u>4,485,659</u>	<u>9,160,701</u>	<u>1,789,687</u>	<u>6,604,381</u>	<u>6,113,259</u>	<u>96,554,993</u>
Expenditures								
Program services	6,638,995	5,315,508	3,043,771	5,869,448	1,761,210	5,041,670	4,254,700	72,439,375
Fundraising	-	-	-	-	-	-	-	-
Management and general	1,580,261	1,130,174	1,318,345	2,542,193	762,736	951,754	1,378,123	19,050,441
Total expenditures	<u>8,219,256</u>	<u>6,445,682</u>	<u>4,362,116</u>	<u>8,411,641</u>	<u>2,523,946</u>	<u>5,993,424</u>	<u>5,632,823</u>	<u>91,489,816</u>
Change in net assets without donor restrictions	364,127	36,411	123,543	749,060	(734,259)	610,957	480,436	5,065,177
With Donor Restrictions								
Revenues								
Contributions and other revenue	-	-	486,511	927,084	417,567	-	-	1,831,162
Net assets release from restriction	-	-	(427,947)	(826,885)	(442,567)	-	-	(1,769,636)
Change in net assets with donor restrictions	-	-	58,564	100,199	(25,000)	-	-	61,526
Total change in net assets	364,127	36,411	182,107	849,259	(759,259)	610,957	480,436	5,126,703
Transfers of net assets	-	-	(211,239)	(363,761)	575,000	-	-	-
Contributions from LLC Members	-	-	-	-	-	-	-	-
Net Assets, beginning of year	673,673	1,310,010	674,364	983,990	1,054,856	3,134,157	1,741,952	16,700,722
Net Assets, end of year	<u>\$ 1,037,800</u>	<u>\$ 1,346,421</u>	<u>\$ 645,232</u>	<u>\$ 1,469,488</u>	<u>\$ 870,597</u>	<u>\$ 3,745,114</u>	<u>\$ 2,222,388</u>	<u>\$ 21,827,425</u>

INDIANAPOLIS PUBLIC SCHOOLS
Other Supplementary Information (Unaudited)
Innovation Schools Network
Combining Statement of Activities
Year ended June 30, 2020

	Avondale Meadows Academy Middle School	Herron High School	Herron Riverside High School/LLC	Purdue Polytechnic Downtown	Emma Donnan Elementary	Total Innovation Network Schools
Without Donor Restrictions						
Revenues						
Student based allocations from IPS	\$ 1,345,032	\$ 6,787,263	\$ 2,441,234	\$ 3,543,318	\$ 1,541,557	\$ 65,655,223
In-kind contributions from IPS	625	-	-	-	964,562	28,035,251
Tax revenues	-	-	-	-	-	-
Charges for services	11,001	468,108	160,467	-	-	686,906
Grant revenues	465,185	1,351,457	821,689	337,449	24,690	18,484,457
Contributions	45,894	241,390	120,914	354,287	-	1,478,303
PPP funding	-	-	-	-	-	1,055,852
Interest income	5,462	-	-	-	-	26,143
Other revenues	31,514	46,770	84,839	197,794	7,940	763,663
Net assets released from restriction	165,320	122,866	19,553	1,508,040	-	3,585,415
Total revenues	2,070,033	9,017,854	3,648,696	5,940,888	2,538,749	119,771,213
Expenditures						
Program services	1,786,581	7,323,349	3,756,081	3,755,462	2,219,701	91,280,549
Fundraising	28,505	271,756	(93,591)	11,444	-	218,114
Management and general	584,520	1,199,597	760,048	1,482,698	339,434	23,416,738
Total expenditures	2,399,606	8,794,702	4,422,538	5,249,604	2,559,135	114,915,401
Change in net assets without donor restrictions	(329,573)	223,152	(773,842)	691,284	(20,386)	4,855,812
With Donor Restrictions						
Revenues						
Contributions and other revenue	207,652	68,918	14,503	1,247,499	-	3,369,734
Net assets release from restriction	(165,320)	(122,866)	(19,553)	(1,508,040)	-	(3,585,415)
Change in net assets with donor restrictions	42,332	(53,948)	(5,050)	(260,541)	-	(215,681)
Total change in net assets	(287,241)	169,204	(778,892)	430,743	(20,386)	4,640,131
Transfers of net assets	(19,355)	-	-	(122,068)	-	(141,423)
Contributions from LLC Members	-	-	130,885	-	-	130,885
Net Assets, beginning of year	1,145,433	3,991,278	5,490,025	1,708,544	3,114	29,039,116
Net Assets, end of year	\$ 838,837	\$ 4,160,482	\$ 4,842,018	\$ 2,017,219	\$ (17,272)	\$ 33,668,709

INDIANAPOLIS PUBLIC SCHOOLS
Other Supplementary Information (Unaudited)
Innovation Schools Network
Combining Statement of Activities
Year ended June 30, 2020

	<u>IPS Educational Foundation</u>	<u>Indianapolis Public Schools</u>	<u>Total Indianapolis Public Schools and Educational Foundation, Inc.</u>	<u>Eliminations</u>	<u>Net Indianapolis Public Schools and Educational Foundation, Inc.</u>	<u>Indianapolis Public Schools & Educational Fnd. & Innovation Network Schools</u>
Without Donor Restrictions						
Revenues						
Student based allocations from IPS	\$ -	\$ 247,182,874	\$ 247,182,874	\$ (65,655,223)	\$ 181,527,651	\$ 247,182,874
In-kind contributions from IPS	-	-	-	(28,035,251)	(28,035,251)	-
Tax revenues	-	182,287,917	182,287,917	-	182,287,917	182,287,917
Charges for services	-	4,946,887	4,946,887	-	4,946,887	5,633,793
Grant revenues	30,281	104,474,816	104,505,097	(1,639,127)	102,865,970	121,350,427
Contributions	126,577	-	126,577	-	126,577	1,604,880
PPP funding	-	-	-	-	-	1,055,852
Interest income	13,103	3,175,838	3,188,941	-	3,188,941	3,215,084
Other revenues	-	12,188,725	12,188,725	-	12,188,725	12,952,388
Net assets released from restriction	2,038,708	-	2,038,708	-	2,038,708	5,624,123
Total revenues	<u>2,208,669</u>	<u>554,257,057</u>	<u>556,465,726</u>	<u>(95,329,601)</u>	<u>461,136,125</u>	<u>580,907,338</u>
Expenditures						
Program services	1,964,631	470,237,827	472,202,458	(75,722,995)	396,479,463	487,760,012
Fundraising	209,965	-	209,965	-	209,965	428,079
Management and general	91,324	43,585,153	43,676,477	(19,606,606)	24,069,871	47,486,609
Total expenditures	<u>2,265,920</u>	<u>513,822,980</u>	<u>516,088,900</u>	<u>(95,329,601)</u>	<u>420,759,299</u>	<u>535,674,700</u>
Change in net assets without donor restrictions	(57,251)	40,434,077	40,376,826	-	40,376,826	45,232,638
With Donor Restrictions						
Revenues						
Contributions and other revenue	3,750,956	-	3,750,956	-	3,750,956	7,120,690
Net assets release from restriction	(2,038,708)	-	(2,038,708)	-	(2,038,708)	(5,624,123)
Change in net assets with donor restrictions	<u>1,712,248</u>	<u>-</u>	<u>1,712,248</u>	<u>-</u>	<u>1,712,248</u>	<u>1,496,567</u>
Total change in net assets	1,654,997	40,434,077	42,089,074	-	42,089,074	46,729,205
Transfers of net assets	-	-	-	-	-	(141,423)
Contributions from LLC Members	-	-	-	-	-	130,885
Net Assets, beginning of year	3,364,256	136,022,438	139,386,694	-	139,386,694	168,425,810
Net Assets, end of year	<u>\$ 5,019,253</u>	<u>\$ 176,456,515</u>	<u>\$ 181,475,768</u>	<u>\$ -</u>	<u>\$ 181,475,768</u>	<u>\$ 215,144,477</u>

Indianapolis Public Schools

Single Audit Report

For the Year Ended June 30, 2020

Indianapolis Public Schools

June 30, 2020

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Indianapolis Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor	Pass-Through Grantor	Pass-Through Identifying Number	Program Title	Federal CFDA #	2020 Total Federal Expenditures
U.S. Department of Agriculture					
Child Nutrition Cluster:					
	Indiana Department of Education	N/A	School Breakfast Program	10.553	\$ 3,996,371
	Indiana Department of Education	N/A	National School Lunch Fund	10.555	11,587,110
	Indiana Department of Education	N/A	Summer Food Service Program for Children	10.559	1,308,011
	Total Child Nutrition Cluster				<u>16,891,492</u>
	Indiana Department of Education	N/A	Child and Adult Care Food Program	10.558	838,067
	Indiana Department of Education	N/A	Fresh Fruit and Vegetable Program	10.582	727,984
	Total U.S. Department of Agriculture				<u>18,457,543</u>
U.S. Department of Education					
	Indiana Department of Education	N/A	Title I Grants to Local Education Agencies	84.010	87,108
	Indiana Department of Education	S010A180014	Title I Grants to Local Education Agencies	84.010	5,966,746
	Indiana Department of Education	S010A190014	Title I Grants to Local Education Agencies	84.010	30,097,712
					<u>36,151,566</u>
Special Education Cluster:					
	Indiana Department of Education	H027A190084	Special Education Part B	84.027	3,190,663
	Indiana Department of Education	18611-028-PN01	Special Education Part B	84.027	166,097
	Indiana Department of Education	19611-028-PN01	Special Education Part B	84.027	8,920,865
					<u>12,277,625</u>
	Indiana Department of Education	18619-028-PN01	Special Education Preschool	84.173	6,728
	Indiana Department of Education	19619-028-PN01	Special Education Preschool	84.173	129,122
	Indiana Department of Education	H173A190104	Special Education Preschool	84.173	195,155
	Total Special Education Cluster				<u>331,005</u>
					<u>12,608,630</u>

Indianapolis Public Schools
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2020

Federal Grantor	Pass-Through Grantor	Pass-Through Identifying Number	Program Title	Federal CFDA #	2020 Total Federal Expenditures
	Indiana Department of Workforce Development	19-4700-5385	Vocational Education	84.048	\$ 55,745
	Indiana Department of Workforce Development	20-0512-5385	Vocational Education	84.048	1,144,327
					<u>1,200,072</u>
	Indiana Department of Education	7000S196A180015	Education for Homeless Children and Youth	84.196	40,556
	Indiana Department of Education	S196A190015	Education for Homeless Children and Youth	84.196	107,518
					<u>148,074</u>
	Indiana Department of Education	S365A170014	English Language Acquisition State Grants	84.365	470,518
	Indiana Department of Education	S365A180014	English Language Acquisition State Grants	84.365	493,863
	Indiana Department of Education	S365A190014	English Language Acquisition State Grants	84.365	345,918
					<u>1,310,299</u>
	Indiana Department of Education	S367A140013	Supporting Effective Instruction State Grants	84.367	1,063,369
	Indiana Department of Education	S367A180013	Supporting Effective Instruction State Grants	84.367	1,559,251
	Indiana Department of Education	A367A190013	Supporting Effective Instruction State Grants	84.367	235,488
					<u>2,858,108</u>
	Indiana Department of Education	S377A140015	School Improvement Grants	84.377	195,685
	Indiana Department of Education	S424A180015	Student Support and Academic Enrichment Program	84.424	1,076,467
	Indiana Department of Education	S424A190015	Student Support and Academic Enrichment Program	84.424	248,472
					<u>1,324,939</u>
				Total U.S. Department of Education	<u>55,797,373</u>
U.S. Department of Health and Human Services					
	Indiana Department of Education	700REFSOCSVCF18	Refugee and Entrant Assistance - State/Replacement	93.566	26,981
	Indiana Department of Education	700REFSUPPORF20	Refugee and Entrant Assistance Discretionary Grants	93.567	1,740
					<u>28,721</u>
				Total U.S. Department of Health and Human Services	<u>28,721</u>
				Total Federal Expenditures	<u>\$ 74,283,637</u>

Indianapolis Public Schools
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Indianapolis Public Schools (IPS) under programs of the federal government for the year ended June 30, 2020. The accompanying notes are an integral part of this Schedule. The information in this Schedule 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 Schedule presents only a selected portion of the operations of IPS, it is not intended to and does not present the financial position, changes in net position or cash flows of IPS.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting, beginning with the year ended June 30, 2020. As a result, the Schedule for the year ended June 30, 2020 includes accruals as of June 30, 2020 as well as accruals that would have existed at June 30, 2019 but were not previously included on the 2019 Schedule, which was prepared on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. IPS has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. IPS had no federal loans that they were administering as of June 30, 2020, and IPS did not pass-through any federal funds to subrecipients.
4. The accompanying schedule of expenditures of federal awards includes the federal awards activity of Indianapolis Public Schools for the year ended June 30, 2020 and does not include the expenditures of federal awards of the separate legal entities reflected as discretely presented component units within the June 30, 2020 financial statements. Each of the entities reflected as discretely presented component units received a separate financial audit performed as of and for the year ended June 30, 2020.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Independent Auditor's Report

School Board of Commissioners
Indianapolis Public Schools
Indianapolis, 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 statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Indianapolis Public Schools (IPS) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise IPS' basic financial statements, and have issued our report thereon dated April 7, 2021, which contained an other matter paragraph for management's omission of the management's discussion and analysis, as well as an emphasis of matter for a change in its basis of accounting. Additionally, our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on IPS' basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and other matters that are reported on separately by each of those auditors. The financial statements of the following component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*: Edison School of the Arts, Inc.; SUPER School, Inc.; Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School; Cold Spring School, Inc. and Thrival Indy Academy. Accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Edison School of the Arts, Inc.; SUPER School, Inc.; Near Eastside Innovation School Corp. d/b/a Thomas Gregg Neighborhood School; Cold Spring School, Inc. and Thrival Indy Academy.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IPS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IPS' internal control. Accordingly, we do not express an opinion on the effectiveness of IPS' 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IPS' financial statements are free from 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 effect on the financial statements. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 7, 2021

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

School Board of Commissioners
Indianapolis Public Schools
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited Indianapolis Public Schools' (IPS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on IPS' major federal program for the year ended June 30, 2020. IPS' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

IPS' basic financial statements include the operations of several discretely presented component units, which expended federal awards which are not included in IPS' schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the discretely presented component units because each discretely presented component unit is a separate legal entity which engaged other auditors to perform an audit in accordance with the Uniform Guidance.

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 IPS' major federal program based on our audit of the types of compliance requirements referred to above. 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 IPS' 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 the major federal program. However, our audit does not provide a legal determination of IPS' compliance.

Opinion on The Major Federal Program

In our opinion, IPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

IPS' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. IPS' 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 IPS 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 IPS' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 IPS' internal control over compliance.

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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

IPS' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. IPS' 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.

Report on Schedule of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of IPS, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise IPS' basic financial statements. We issued our report thereon dated April 7, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 basic financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
April 7, 2021

Indianapolis Public Schools
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. IPS' major program was:

Cluster/Program	CFDA Number	Opinion Issued
Title I Grants to Local Education Agencies	84.010	Unmodified

8. The threshold used to distinguish between Type A and Type B programs was \$2,228,509.

9. IPS qualified as a low-risk auditee? Yes No

Indianapolis Public Schools
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Indianapolis Public Schools
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Findings Required to be Reported by *Uniform Guidance*

Reference Number	Finding
2020-001	<p>Federal Program Name: Title I Grants to Local Education Agencies</p> <p>Federal Agency: U.S. Department of Education, passed through Indiana Department of Education</p> <p>CFDA Title and Number: Title I Grants to Local Education Agencies, CFDA 84.010</p> <p>Award Year: July 1, 2019 - June 30, 2020</p> <p>Criteria or Specific Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate - Local Education Agencies must report graduation rate data for all public high schools at the school level using the 4-year adjusted cohort rate. For reporting during the 2019-2020 school year, graduation rates would reflect data from the 2018-2019 school year. Accordingly, the requirements for calculating and reporting graduation rates under the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, would continue to apply. Under these requirements, graduation rate data must be reported both in the aggregate and disaggregated by each subgroup described in the Elementary and Secondary Education Act of 1965 (ESEA) sections 1111(h)(1)(C)(iii)(II) and 8011(25),(23) using a 4-year adjusted cohort graduation rate. Only students who earn a regular high school diploma may be counted as a graduate for purposes for calculating the 4-year adjusted graduation rate. The term “regular high school diploma” means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State’s academic content standards or a higher diploma and does not include a General Educational Development credential, certificate or attendance, or an alternative award. As required by ESEA Section 8101, to remove a student from the cohort, a school must confirm, in writing, that the student transferred out, immigrated to another county, transferred to a prison or juvenile facility or is deceased. To confirm that a student transferred out, the school 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. A student who is retained in a grade, enrolls in a General Educational Development program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.</p> <p>Condition: Adequate documentation for removal from the adjusted cohort was not maintained and available (significant deficiency).</p> <p>Questioned Costs: No</p> <p>Context: During testing of individuals removed from the adjusted cohort, 2 out of 34 selections resulted in errors. From a population of 169 students, 34 were selected for testing. Errors consisted of 2 students lacking documentation for being removed from the adjusted cohort. Our sample selection was not, and was not intended to be, statistically valid.</p>

Indianapolis Public Schools
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

**Reference
Number**

Finding

Effect: Students were removed from the adjusted cohort without appropriate documentation for removal.

Cause: Contact information for students was not up to date which did not allow IPS to obtain the necessary documents.

Repeat Finding: Yes, see 2019-001, 2018-003 and 2017-006.

Recommendation: We recommend IPS revisit controls over this compliance requirement to ensure appropriate documentation is maintained and appropriate students are removed from the adjusted cohort.

Views of Responsible Officials and Planned Corrective Action: See corrective action plan prepared by management attached.

Indianapolis Public Schools
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
2019-001	<p>Title I - Special Tests and Provisions - Annual Report Card, High School Graduation Rate</p> <p>Students were incorrectly removed from the adjusted cohort and adequate documentation for removal from the adjusted cohort was not maintained and available. Appropriate actions were not taken to fully correct or resolve this item during the current year.</p>	Partially Resolved. See Finding 2020-001

CORRECTIVE ACTION PLAN

FINDING 2020-001

Contact Person Responsible for Corrective Action: Jennifer Oshea

Contact Phone Number: 317.226.4000

Views of Responsible Official:

Indianapolis Public Schools agrees 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 that follow State IDOE exit guidelines.

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

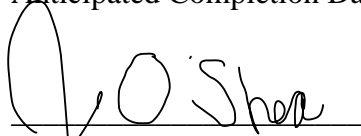
- Create a Graduation Cohort Maintenance Plan to provide consistency across the district
- Continuously provide schools with updated IDOE exit guidelines/memos provided by the Indiana Department of Education
- Facilitate regular district wide trainings for all staff, registrars, and school secretaries responsible for withdrawing students and maintaining student records
- Communicate student's mobility status on cohort reports via a tracker where schools can review mobility list as well as note efforts made to maintain documentation
- Provide schools with an electronic folder where schools will scan and upload all withdrawal documentation
- Conduct internal withdrawal documentation audits on an ongoing basis

School-Based

- Schools will follow district guidelines outlined in the Graduation Cohort Maintenance Plan
- Participate in all cohort trainings provided by the district
- Principals will designate a school point person who is responsible for maintaining cohort documentation 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

- Follow up weekly on any missing documentation and/or needed corrections to cohort tracker
- Original withdrawal documentation will be kept in cohort binder by year

Anticipated Completion Date: Implementation during the 2020-2021 school year.

A handwritten signature in black ink, appearing to read "J. O. Shea", written over a horizontal line.

Signature

Post-Secondary Readiness Officer

December 29, 2020