

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

**INDIANAPOLIS, INDIANA  
FINANCIAL STATEMENTS**

June 30, 2020

**FILED**

06/24/2021

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

**FINANCIAL STATEMENTS**  
June 30, 2020

**CONTENTS**

**SCHEDULE OF OFFICIALS** ..... 1

**INDEPENDENT AUDITORS REPORT** ..... 2

**BASIC FINANCIAL STATEMENTS**

Government-Wide Financial Statements:

    Statement of Net Position ..... 4

    Statement of Activities ..... 5

Fund Financial Statements:

    Governmental Funds – Balance Sheet ..... 6

    Reconciliation of the Governmental Funds Balance Sheet  
    to Statement of Net Position..... 7

    Governmental Funds – Statement of Revenues, Expenditures  
    and Changes in Fund Balances ..... 8

    Reconciliation of the Governmental Funds – Statement of Revenues,  
    Expenditures and Changes in Fund Balances to Statement of Activities ..... 9

    Statement of Fund Net Position – Proprietary Fund..... 10

    Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund..... 11

    Statement of Cash Flows – Proprietary Fund..... 12

    Statement of Fiduciary Net Position..... 13

    Notes to the Financial Statements ..... 14

**REQUIRED SUPPLEMENTARY INFORMATION**

Historical Pension Information:

    Schedule of Proportionate Share of the Net Pension Liability ..... 43

    Schedule of Contributions – Pension ..... 44

Historical OPEB Information: ..... 45

    Changes in Total Other Postemployment Benefits Liability ..... 45

Budgetary Comparison Schedules:

    Major Special Revenue Funds:

        Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual ..... 46

Notes to Required Supplementary Information ..... 48

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Schedule of Officials (Unaudited)  
June 30, 2020

---

<b><u>Office</u></b>	<b><u>Official</u></b>	<b><u>Term</u></b>
Treasurer	Michael D. Shreves	07-01-17 to 06-30-21
Superintendent of Schools	Dr. Shawn A. Smith	07-01-17 to 06-30-21
President of the Board	Reginald McGregor	01-01-17 to 12-31-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF LAWRENCE TOWNSHIP, MARION COUNTY, INDIANA

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan School District of Lawrence Township (School Corporation), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Corporation's 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 the 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 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.

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 the School Corporation'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 the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Opinions**

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

**Other Matters**


*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pension, Changes in Total Other Postemployment Benefits Liability, and Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual, 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 the Management's Discussion and Analysis, Schedule of Proportionate Share of Net Pension Liability for the Teachers' Retirement Fund Pre-1996, Schedule of Other Postemployment Benefits Contributions, and the Budget to GAAP Reconciliation of Major Special Revenue Funds 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, on our consideration of the School Corporation's 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 the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

June 10, 2021

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Statement of Net Position  
June 30, 2020

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 38,740,400
Investments	3,000,570
Receivables, net	
Interest receivable	15,708
Taxes receivable	23,349,046
Intergovernmental receivable	3,359,608
Other receivables	871,887
Prepaid items	3,464,167
Nondepreciable capital assets	29,651,561
Other capital assets, net of depreciation	115,508,608
Net pension asset - TRF 1996	2,408,848
Total assets	220,370,403
<b>Deferred Outflows of Resources</b>	
Pensions	11,477,774
Debt refundings	782,051
Other post-employment benefits	481,802
Total deferred outflows of resources	12,741,627
Total assets and deferred outflows of resources	\$ 233,112,030
<b>Liabilities</b>	
Accounts payable	\$ 6,414,454
Accrued payroll and related benefits	9,527,261
Interest payable on bonds and leases	2,689,836
Unearned revenue	163,351
Claims payable	1,939,000
Retainage payable	1,077,971
Long-term obligations, due within one year:	
Bonds payable	12,185,000
Leases payable	261,001
Common School Fund Loans	3,464,704
Long-term obligations, due in more than one year:	
Bonds payable	138,965,930
Leases payable	361,602
Common School Fund Loans	5,184,263
Compensated absences	619,030
Net pension liability - PERF	18,267,748
Total other post-employment benefits liability	8,825,819
Total liabilities	209,946,970
<b>Deferred Inflows of Resources</b>	
Pensions	15,004,234
Total liabilities and deferred inflows of resources	224,951,204
<b>Net Position</b>	
Net investment in capital assets	46,408,813
Restricted for:	
Instruction	667,579
Severance obligations	416,137
Grants	913,246
Unrestricted	(40,244,949)
Total net position	8,160,826
Total liabilities, deferred inflows of resources, and net position	\$ 233,112,030

See accompanying notes to financial statements

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

Statement of Activities

June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Changes in Net Position</u>
<b>Primary Government:</b>		<u>Services</u>	<u>and Contributions</u>	<u>Primary Government</u>
<b>Governmental activities:</b>				<u>Governmental</u>
				<u>Activities</u>
Instruction	\$ 123,560,104	\$ 340,521	\$ 14,260,299	\$ (108,959,284)
Support services	71,662,280	24,670	6,514,710	(65,122,900)
Operation of noninstructional services	12,220,051	1,367,013	8,674,248	(2,178,790)
Interest on debt	4,310,697	-	-	(4,310,697)
Nonprogrammed charges	3,770,397	-	-	(3,770,397)
Total governmental activities	<u>\$ 215,523,529</u>	<u>\$ 1,732,204</u>	<u>\$ 29,449,257</u>	<u>(184,342,068)</u>
<b>General revenues:</b>				
Taxes:				
Local Property Taxes				44,037,936
License Excise Tax				3,321,172
Commercial Vehicle Excise Tax				132,801
Financial Institution Tax				430,786
State basic aid				113,335,061
Gain (loss) on sale of capital assets				166,577
Investment earnings				1,644,549
Other general revenues				27,144,482
Total general revenues				<u>190,213,364</u>
<b>Change in net position</b>				5,871,296
<b>Net position, beginning of year</b>				<u>2,289,530</u>
<b>Net position, end of the year</b>				<u><u>\$ 8,160,826</u></u>

See accompanying notes to financial statements

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
 Governmental Funds – Balance Sheet  
 June 30, 2020

	<b>Major Funds</b>						<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>Operations Fund</b>	<b>Education Fund</b>	<b>Debt Service Fund</b>	<b>School Lunch Fund</b>	<b>Capital Projects Fund</b>	<b>Building Corporation Debt Service Fund</b>		
<b>Assets</b>								
Cash and investments	\$ 8,095,042	\$ 9,207,413	\$ -	\$ 8,856,134	\$ (10,270,175)	\$ -	\$ 5,950,195	\$ 21,838,609
Cash and investments - restricted	-	-	1,128,992	-	8,255,049	6,404,690	1,963,108	17,751,839
Receivables, net								
Interest receivable	-	15,708	-	-	-	-	-	15,708
Taxes receivable	12,276,169	-	9,592,373	-	-	-	1,480,504	23,349,046
Intergovernmental receivable	-	-	-	373,601	-	-	2,986,007	3,359,608
Other receivables	-	-	-	-	-	-	777,901	777,901
Prepaid items	1,647,937	-	694,018	-	-	-	1,122,212	3,464,167
Total assets	<u>22,019,148</u>	<u>9,223,121</u>	<u>11,415,383</u>	<u>9,229,735</u>	<u>(2,015,126)</u>	<u>6,404,690</u>	<u>14,279,927</u>	<u>70,556,878</u>
<b>Liabilities and Deferred Inflows of Resources</b>								
<b>Liabilities</b>								
Accounts payable	\$ 307,086	\$ 396,400	\$ -	\$ 144,642	\$ 2,864,378	\$ -	\$ 2,653,903	\$ 6,366,409
Salaries and payroll deductions payable	526,055	8,159,142	-	69,678	-	-	772,386	9,527,261
Unearned revenue	-	-	-	-	-	-	163,351	163,351
Total liabilities	<u>833,141</u>	<u>8,555,542</u>	<u>-</u>	<u>214,320</u>	<u>2,864,378</u>	<u>-</u>	<u>3,589,640</u>	<u>16,057,021</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenues	<u>11,581,889</u>	<u>-</u>	<u>8,865,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,375,497</u>	<u>22,822,903</u>
<b>Fund Balances</b>								
Nonspendable	1,647,937	-	-	-	-	-	1,122,212	2,770,149
Restricted - Instruction	-	667,579	-	-	-	-	-	667,579
Restricted - Debt Service	-	-	2,549,866	-	-	6,404,690	264,162	9,218,718
Restricted - Severance Obligations	-	-	-	-	-	-	416,137	416,137
Restricted - Grants	-	-	-	-	-	-	913,246	913,246
Committed	-	-	-	-	-	-	6,581,838	6,581,838
Assigned - Food Services	-	-	-	9,015,415	-	-	-	9,015,415
Assigned - Other	-	-	-	-	-	-	274,393	274,393
Unassigned	7,956,181	-	-	-	(4,879,504)	-	(1,257,198)	1,819,479
Total fund balance	<u>9,604,118</u>	<u>667,579</u>	<u>2,549,866</u>	<u>9,015,415</u>	<u>(4,879,504)</u>	<u>6,404,690</u>	<u>8,314,790</u>	<u>31,676,954</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 22,019,148</u>	<u>\$ 9,223,121</u>	<u>\$ 11,415,383</u>	<u>\$ 9,229,735</u>	<u>\$ (2,015,126)</u>	<u>\$ 6,404,690</u>	<u>\$ 14,279,927</u>	<u>\$ 70,556,878</u>

See accompanying notes to financial statements

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to Statement of Net Position  
 June 30, 2020

<b>Total fund balances - governmental funds</b>		\$	31,676,954
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			145,160,169
Certain items related to losses on refundings of debt are deferred and recognized in future periods.			
			782,051
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:			
Retainage payable	(1,077,971)		
Compensated absences	(619,030)		
Long-term debt, net	(159,799,897)		
Leases payable	(622,603)		
Net pension asset	2,408,848		
Net pension liability	(18,267,748)		
Other post-employment obligations	(8,825,819)		
Total long-term liabilities	(186,804,220)		(186,804,220)
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized when due.			
			(2,689,836)
Certain property taxes receivable items are not available to pay for current period expenditures and therefore are unavailable in the governmental funds.			
			21,815,692
Certain intergovernmental receivable items are not available to pay for current period expenditures and therefore are unavailable in the governmental funds.			
			1,007,211
Certain items related to pension and other post-employment benefit liabilities measurements are deferred and recognized in future periods.			
Deferred outflows of resources	11,959,576		
Deferred inflows of resources	(15,004,234)		
	(3,044,658)		(3,044,658)
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.			
			257,463
<b>Total net position- governmental activities</b>		<b>\$</b>	<b>8,160,826</b>

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2020**

	<b>Major Funds</b>						<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>Operations Fund</b>	<b>Education Fund</b>	<b>Debt Service Fund</b>	<b>School Lunch Fund</b>	<b>Capital Projects Fund</b>	<b>Building Corporation Debt Service Fund</b>		
<b>Revenues</b>								
Property taxes	\$ 22,468,814	\$ -	\$ 16,989,358	\$ -	\$ -	\$ -	\$ 1,915,486	\$ 41,373,658
Other taxes	2,134,294	-	1,579,952	-	-	-	170,513	3,884,759
State basic aid	-	113,048,463	-	420,976	-	-	2,526,498	115,995,937
Investment income	-	464,523	-	-	760,703	3,423	415,900	1,644,549
Federal sources	-	392,930	-	7,997,366	-	-	10,087,165	18,477,461
Other revenues	344,573	14,902,079	-	1,366,901	1,111,121	-	8,113,712	25,838,386
<b>Total revenues</b>	<b>24,947,681</b>	<b>128,807,995</b>	<b>18,569,310</b>	<b>9,785,243</b>	<b>1,871,824</b>	<b>3,423</b>	<b>23,229,274</b>	<b>207,214,750</b>
<b>Expenditures</b>								
Instruction	-	91,683,166	-	-	-	-	14,782,418	106,465,584
Support services	30,169,863	19,756,208	140	158,818	46,944	57,951	11,225,926	61,415,850
Operation of noninstructional services	-	2,139,245	-	9,487,625	-	-	671,091	12,297,961
Nonprogrammed charges	-	-	-	168,004	609,137	-	407,053	1,184,194
Capital outlays	1,581,813	-	-	-	33,715,579	-	10,000	35,307,392
Principal payments on debt	-	-	6,885,111	-	-	8,095,000	1,375,140	16,355,251
Interest on debt	-	-	883,981	-	-	3,618,713	311,004	4,813,698
Other debt services	-	-	5,250	-	-	-	-	5,250
<b>Total expenditures</b>	<b>31,751,676</b>	<b>113,578,619</b>	<b>7,774,482</b>	<b>9,814,447</b>	<b>34,371,660</b>	<b>11,771,664</b>	<b>28,782,632</b>	<b>237,845,180</b>
Excess of revenues over expenditures	(6,803,995)	15,229,376	10,794,828	(29,204)	(32,499,836)	(11,768,241)	(5,553,358)	(30,630,430)
<b>Other financing sources (uses)</b>								
Proceeds from sales of assets	194,694	-	-	-	-	-	-	194,694
Issuance of bonds, par	-	-	-	-	24,730,000	-	-	24,730,000
Issuance of bonds, premium	-	-	-	-	268,051	-	-	268,051
Issuance of Common School Fund loans	-	-	-	-	-	-	2,197,966	2,197,966
Transfers in	17,872,239	7,286,220	159,994	-	-	12,117,000	1,659,994	39,095,447
Transfers out	(8,786,220)	(17,872,239)	(12,276,994)	-	-	-	(159,994)	(39,095,447)
<b>Total other financing sources (uses)</b>	<b>9,280,713</b>	<b>(10,586,019)</b>	<b>(12,117,000)</b>	<b>-</b>	<b>24,998,051</b>	<b>12,117,000</b>	<b>3,697,966</b>	<b>27,390,711</b>
<b>Net change in fund balances</b>	<b>2,476,718</b>	<b>4,643,357</b>	<b>(1,322,172)</b>	<b>(29,204)</b>	<b>(7,501,785)</b>	<b>348,759</b>	<b>(1,855,392)</b>	<b>(3,239,719)</b>
<b>Fund balances at beginning of year</b>	<b>7,127,400</b>	<b>(3,975,778)</b>	<b>3,872,038</b>	<b>9,044,619</b>	<b>2,622,281</b>	<b>6,055,931</b>	<b>10,170,182</b>	<b>34,916,673</b>
<b>Fund balances at end of year</b>	<b>\$ 9,604,118</b>	<b>\$ 667,579</b>	<b>\$ 2,549,866</b>	<b>\$ 9,015,415</b>	<b>\$ (4,879,504)</b>	<b>\$ 6,404,690</b>	<b>\$ 8,314,790</b>	<b>\$ 31,676,954</b>

See accompanying notes to financial statements

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
 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** \$ (3,239,719)

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	26,691,091	
Depreciation expense	<u>(6,369,728)</u>	
Depreciation in excess of capital asset additions		20,321,363

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.

Change in interest payable	(545,135)	
Bonds and Common School Fund loans principal repayment	16,355,251	
Bonds and Common School Fund loans issuance	(26,927,966)	
Leases principal repayment	<u>541,804</u>	(10,576,046)

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.

Issuance of premiums and discounts	(268,051)	
Amortization of premiums and discounts	<u>1,383,705</u>	1,115,654

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.

(28,117)

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	2,664,278	
Intergovernmental grants	<u>1,007,211</u>	3,671,489

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 retainage payable	(854,000)	
Change in deferrals surrounding debt refundings	(335,569)	
Change in OPEB liabilities and deferrals	(1,114,153)	
Change in pension asset, liability, and deferrals	(308,007)	
Change in compensated absences	<u>(199,383)</u>	
Total		(2,811,112)

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.

(2,582,216)

**Change in net position of governmental activities** \$ 5,871,296

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Statement of Fund Net Position – Proprietary Fund  
June 30, 2020

---

	<b>Internal Service Fund Self-Insurance Fund</b>
<b>Assets</b>	
Cash and investments - unrestricted	\$ 2,150,522
Receivables, net:	
Other receivables	93,986
Total assets	<u>2,244,508</u>
<b>Liabilities</b>	
Accounts payable	\$ 48,045
Claims payable	1,939,000
Total current liabilities	<u>1,987,045</u>
<b>Net Position</b>	
Unrestricted	<u>257,463</u>
Total net position	<u>257,463</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,244,508</u>

---

See accompanying notes to financial statements

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Statement of Revenue, Expenses, and Changes in Fund Net Position – Proprietary Fund  
Year ended June 30, 2020

---

	Internal Service Fund <u>Self-Insurance Fund</u>
<b>Operating revenue</b>	
Insurance premiums paid by employer and employees	\$ 16,157,352
Total operating revenue	<u>16,157,352</u>
<b>Operating expenses</b>	
Insurance claims	<u>18,739,568</u>
Total operating expenses	<u>18,739,568</u>
Operating income (loss)	(2,582,216)
Total net position at beginning of year	<u>2,839,679</u>
Total net position at end of year	<u>\$ 257,463</u>

---

See accompanying notes to financial statements

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Statement of Cash Flows – Proprietary Fund  
Year ended June 30, 2020

---

	<u>Internal Service Fund Self-Insurance Fund</u>
<b>Cash flows from operating activities</b>	
Insurance premiums paid	\$ 17,295,577
Claims paid	<u>(18,862,765)</u>
Net cash increase (decrease) in cash and cash equivalents	(1,567,188)
Cash and cash equivalents at beginning of year	<u>3,717,710</u>
Cash and cash equivalents at end of year	<u>\$ 2,150,522</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (2,582,216)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	
Increase (decrease) in:	
Other receivables	1,138,226
Accounts payable	(45,150)
Claims payable	<u>(78,048)</u>
Net cash provided (used) by operating activities	<u>\$ (1,567,188)</u>

---

See accompanying notes to financial statements

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Statement of Fiduciary Net Position  
June 30, 2020

---

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and investments	\$ 3,087,638
Total assets	<u>\$ 3,087,638</u>
<b>Liabilities</b>	
Cash held for extra-curricular accounts	\$ 795,977
Cash held for students	174,185
Cash held for payroll clearing accounts	<u>2,117,476</u>
Total liabilities	<u>\$ 3,087,638</u>

---

See accompanying notes to financial statements

## METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP

Notes to the Financial Statements

June 30, 2020

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Metropolitan School District of Lawrence Township (the "School Corporation") was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services. The School Board consists of 5 members who serve 4-year terms. The School Corporation encompasses approximately 475 acres and serves just under 16,000 students. The School Corporation employees approximately 2,300 employees, of which 70% live within the School Corporation boundaries.

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

Blended Component Unit: The following component unit has been presented as a blended component unit. The Board of the component unit is made up of five individuals, all independent of the School Corporation and appointed by the School Corporation Board of School Trustees. 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:

- School Building Corporation of Lawrence Township (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 \$118,345,000. 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.

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.

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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

Notes to the Financial Statements

June 30, 2020

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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. 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:

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the school corporation or meets certain criteria set forth by the Governmental Accounting Standards Board.

The School Corporation reports the following major governmental funds:

- *Operations Fund* – the Operations Fund 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* – the Education Fund is required by IC 20-40-2. It is used to account for all tuition receipts and disbursements related to student instruction and learning.
  - *School Lunch Fund* – A special revenue fund that accounts for the various grants, receipts and related costs for the school lunch program.
  - *School Corporation Debt Service Fund* - account for the accumulation of resources for, and the payment of, the School Corporation's long-term debt principal, interest and related costs.
  - *Building Corporation Debt Service Fund* - account for the accumulation of resources for, and the payment of, the Building Corporation's long-term debt principal, interest and related costs.
-

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- *Capital Projects Funds* – An aggregated *capital projects fund* that accounts for construction projects and renovations financed through various bond issuances.

Other Fund Types:

Additionally, the School Corporation reports the following fund types:

- *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.
- *Rainy Day Fund* – the Rainy-Day Fund 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 31<sup>st</sup> of the same year.
- *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.
- *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, a prepaid lunch fund and certain clearing accounts account for assets held by the School Corporation in a 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, 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.

---

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

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 purchased. 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 December 31 of the year preceding the budget year or January 15 of the budget year if the School Corporation is issuing debt after December 1 or intends on filing a shortfall appeal. 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 5 years or more or improvements or renovations that extend the useful life of an asset more than 2 years. 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	50
Land Improvements	20
Machinery and Equipment	5 - 30

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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

Notes to the Financial Statements

June 30, 2020

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

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 do 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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences: Sick, vacation, and personal days accrue as of June 30 each year. All employees upon retirement from the School Corporation, are allowed to be paid \$50 per day for their accumulated sick days and personal days. Only 12-month employees are eligible for vacation. If all of an employees' vacation days are not used in a fiscal year, they are allowed to carry over up to 5 unused days to the next fiscal year. Upon separation of employment or retirement, unused earned vacation days are paid out to the employee.

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 have a lesser impact 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

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.

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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Subsequent Events: In August 2020, the Building Corporation issued \$89 million in unlimited ad valorem property tax first mortgage bonds. The bonds will be used to fund various capital projects throughout the district. Semiannual principal and interest payments begin in July 2021 and continue until the bonds mature in January 2040.

In November 2020, the Building Corporation issued \$15 million in first mortgage bonds. The bonds will be used to fund various capital projects throughout the district. Semiannual principal and interest payments begin in July 2022 and continue until the bonds mature in January 2040.

**NOTE 2 - FUND BALANCES**

The components of fund balance include the following line items:

	Operations Fund	Education Fund	Debt Service Fund	School Lunch Fund	Capital Projects Fund	Building Corporation Debt Service Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>	\$ 1,647,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,122,212	\$ 2,770,149
<b>Restricted</b>								
Instruction	-	667,579	-	-	-	-	-	667,579
Debt service	-	-	2,549,866	-	-	6,404,690	264,162	9,218,718
Severance obligations	-	-	-	-	-	-	416,137	416,137
Grant expenses	-	-	-	-	-	-	913,246	913,246
	-	667,579	2,549,866	-	-	6,404,690	1,593,545	11,215,680
<b>Committed</b>	-	-	-	-	-	-	6,581,838	6,581,838
<b>Assigned</b>								
Food services	-	-	-	9,015,415	-	-	-	9,015,415
Other	-	-	-	-	-	-	274,393	274,393
	-	-	-	9,015,415	-	-	274,393	9,289,808
<b>Unassigned</b>	7,956,181	-	-	-	(4,879,505)	-	(1,257,198)	1,819,478
<b>Total</b>	<u>\$ 9,604,118</u>	<u>\$ 667,579</u>	<u>\$ 2,549,866</u>	<u>\$ 9,015,415</u>	<u>\$ (4,879,505)</u>	<u>\$ 6,404,690</u>	<u>\$ 8,314,790</u>	<u>\$ 31,676,953</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 by the Board in the amount of \$6,581,838.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

---

**NOTE 2 - FUND BALANCES** (Continued)

- 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.
- Unassigned fund balance is the total fund balance in the general fund 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.

Various nonmajor special revenue funds and the capital projects funds had deficit fund balances at June 30, 2020. The capital projects funds' deficit balances were reversed in August 2020 following the issuance of \$89 million in unlimited ad valorem property tax first mortgage bonds.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash: The carrying amount of cash was \$41,828,038 at June 30, 2020, \$3,087,638 of which related to fiduciary activities, while the bank balances were \$40,712,325. The carrying value of cash includes money market accounts and non-negotiable certificates of deposit. 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 \$39,198,228 in money market accounts. Of this, \$663,277 is invested in an external investment pool, Hoosier Fund. These have been reported under amortized cost.

Non-negotiable Certificates of Deposit: As of June 30, 2020, the School Corporation holds \$1,514,098 in non-negotiable certificates of deposit.

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.

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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

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 held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Agency Securities	\$ 3,000,570	\$ 3,000,570	\$ -	\$ -
Total	<u>\$ 3,000,570</u>	<u>\$ 3,000,570</u>	<u>\$ -</u>	<u>\$ -</u>

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, an organization will not be able to recover the value of investments or collateral securities that are in possession of an outside party. At June 30, 2020, the School Corporation held investments with four institutions in excess of FDIC limits. The institutions at which these securities are held are held participate in the Indiana Public Deposit Insurance Fund. Therefore, these funds would be insured by the State of Indiana.

**Interest Rate Risk:** Interest rate risk is the risk that changes in the interest rates will adversely affect the value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than five years. The School Corporation does not have a formal investment policy for interest rate risk for investments but has elected to follow Indiana State statutes.

	<u>June 30, 2020</u> <u>Balance</u>
<b>Due in less than one year</b>	
Federal Farm Credit Banks	\$ 999,950
	<u>999,950</u>
<b>Due in one to five years</b>	
Federal Home Loan Bank	2,000,620
	<u>2,000,620</u>
Total securities subject to interest rate risk	<u>\$ 3,000,570</u>

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School Corporation's investment holdings are not subject to credit risk as all are U.S. government obligations.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation's investment holdings are not subject to this credit risk as all are U.S. government obligations.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 4 – RESTRICTED ASSETS**

The School Corporation and the Building Corporation have cash and investments that are externally restricted for their use by either a tax levy, operating or 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>Grants &amp; Other</u>	<u>Building Corporation - Trust (Construction)</u>	<u>Building Corporation - Trust (Debt Service)</u>	<u>Total</u>
<b>Governmental Activities:</b>							
<b>Major Funds:</b>							
Debt Service	\$ -	\$ 1,128,992	\$ -	\$ -	\$ -	\$ 6,404,690	\$ 7,533,682
Capital Projects	475,261	-	-	-	7,779,788	-	8,255,049
<b>Non-Major Funds:</b>							
Debt Service	-	151,944	416,137	-	-	-	568,081
Grants	-	-	-	1,395,027	-	-	1,395,027
Totals	<u>\$ 475,261</u>	<u>\$ 1,280,936</u>	<u>\$ 416,137</u>	<u>\$ 1,395,027</u>	<u>\$ 7,779,788</u>	<u>\$ 6,404,690</u>	<u>\$ 17,751,839</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 the second distribution for the January 1, 2020 tax levy that was 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 accounts to not be fully collectible and has thus recorded an allowance for uncollectible accounts. Receivables balances at June 30, 2020, include the following:

	<b>June 30, 2020</b>
	<b>Balance</b>
Other receivables	\$ 93,986
Interest receivable	15,708
Taxes receivable	23,349,046
Intergovernmental receivable	3,359,608
Subtotal	<u>26,818,348</u>
Student receivables	7,248,307
Less allowance for uncollectible accounts	<u>(6,470,406)</u>
	<u>\$ 27,596,249</u>

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
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>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 4,245,093	\$ 762,912	\$ -	\$ 5,008,005
Construction in Progress	-	24,643,556	-	24,643,556
Total nondepreciable capital assets	<u>4,245,093</u>	<u>25,406,468</u>	<u>-</u>	<u>29,651,561</u>
Other capital assets				
Buildings	225,262,493	-	-	225,262,493
Land improvements	5,194,319	-	-	5,194,319
Machinery and equipment	32,887,870	1,284,623	(1,708,009)	32,464,484
Capital lease assets	2,203,871	-	(1,044,124)	1,159,747
Total other capital assets	<u>265,548,553</u>	<u>1,284,623</u>	<u>(2,752,133)</u>	<u>264,081,043</u>
Less: Accumulated depreciation				
Buildings	114,706,459	4,187,236	-	118,893,695
Land improvements	2,904,533	259,716	-	3,164,249
Machinery and equipment	26,103,534	1,511,164	(1,679,892)	25,934,806
Capital lease assets	1,212,197	411,612	(1,044,124)	579,685
Total accumulated depreciation	<u>144,926,723</u>	<u>6,369,728</u>	<u>(2,724,016)</u>	<u>148,572,435</u>
Total other capital assets, net	<u>120,621,830</u>	<u>(5,085,105)</u>	<u>(28,117)</u>	<u>115,508,608</u>
Total governmental activity capital assets, net	<u>\$ 124,866,923</u>	<u>\$ 20,321,363</u>	<u>\$ (28,117)</u>	<u>\$ 145,160,169</u>

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

<u>Governmental Activities</u>	<u>Depreciation</u>
Instruction	\$ 4,900,128
Support services	1,464,050
Operation of noninstructional services	<u>5,550</u>
Total depreciation expense - governmental activities	<u>\$ 6,369,728</u>

As of June 30, 2020, the School Corporation had \$6,581,168 of construction commitments related to building renovations outstanding.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
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	\$ 21,460,000	\$ -	\$ (1,985,000)	\$ 19,475,000	\$ 1,730,000
General obligation bond premiums	197,886	-	(37,447)	160,439	-
Qualified Zone Academy bonds	4,000,000	-	-	4,000,000	-
Qualified Zone Academy bonds premiums	25,928	-	(1,783)	24,145	-
School severance bonds	5,020,000	-	(1,145,000)	3,875,000	1,215,000
Common School Fund loans	9,576,252	2,197,966	(3,125,251)	8,648,967	3,464,704
Capital leases	1,164,407	-	(541,804)	622,603	261,001
Compensated absences	419,647	362,444	(163,061)	619,030	-
Net pension liability - PERF	18,296,825	4,597,447	(4,626,524)	18,267,748	-
Net pension liability (asset) - TRF 1996	1,824,081	3,791,030	(8,023,959)	(2,408,848)	-
Total other post-employment benefits	7,771,891	1,481,967	(428,039)	8,825,819	-
	<u>69,756,917</u>	<u>12,430,854</u>	<u>(20,077,868)</u>	<u>62,109,903</u>	<u>6,670,705</u>
Building Corporation:					
Revenue bonds	103,715,000	24,730,000	(10,100,000)	118,345,000	9,240,000
Revenue bonds premiums	6,347,771	268,051	(1,344,476)	5,271,346	-
	<u>110,062,771</u>	<u>24,998,051</u>	<u>(11,444,476)</u>	<u>123,616,346</u>	<u>9,240,000</u>
Total long-term liabilities - governmental activities	<u>\$ 179,819,688</u>	<u>\$ 37,428,905</u>	<u>\$ (31,522,344)</u>	<u>\$ 185,726,249</u>	<u>\$ 15,910,705</u>

The School Corporation and Building Corporation debt service funds and pension obligation 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 Series 2015A	1/15/2026	2.40	2,000,000	\$ 2,000,000
General Obligation Series 2015B	1/15/2026	2.40	2,000,000	2,000,000
General Obligation Series 2015C	1/15/2026	2.40	2,000,000	2,000,000
General Obligation Series 2017	1/15/2027	3.00	7,450,000	6,155,000
General Obligation Series 2018	1/15/2028	2.00 - 2.50	4,000,000	2,245,000
General Obligation Series 2019	1/15/2030	2.00 - 3.00	5,075,000	5,075,000
Qualified Zone Academy Bonds 2016	1/15/2033	1.25	2,000,000	2,000,000
Qualified Zone Academy Bonds 2017	1/15/2034	1.50	2,000,000	2,000,000
School Severance Taxable Bonds, Series 2012	1/5/2023	5.36 - 5.96	11,480,000	3,875,000
				<u>\$ 27,350,000</u>

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 7 – LONG-TERM LIABILITIES** (Continued)

The Building Corporation's revenue bonds are currently outstanding are as follows:

Purpose	Maturity Date	Interest Rate	Face Amount	Carrying Amount
First Mortgage Refunding Bonds, Series 2012	1/15/2023	2.18	16,245,000	\$ 4,885,000
First Mortgage Refunding Bonds, Series 2014	1/15/2025	2.19	29,120,000	13,835,000
First Mortgage Bonds, Series 2016A1	1/15/2028	4.00	5,625,000	5,625,000
First Mortgage Bonds, Series 2016A2	1/15/2026	1.60 - 3.25	2,500,000	2,250,000
First Mortgage Bonds, Series 2016B1	1/15/2028	3.00 - 4.00	5,345,000	5,345,000
First Mortgage Bonds, Series 2016B2	1/15/2026	1.60 - 3.25	2,500,000	2,225,000
First Mortgage Bonds, Series 2016C	1/15/2028	2.00 - 4.00	6,935,000	5,485,000
First Mortgage Bonds, Series 2016D	1/15/2028	4.00	7,040,000	7,040,000
First Mortgage Refunding Bonds, Series 2016	1/15/2025	4.00 - 5.00	36,530,000	26,925,000
First Mortgage Bonds, Series 2017A	1/15/2031	3.00	5,000,000	5,000,000
First Mortgage Bonds, Series 2017B	1/15/2031	3.00	5,500,000	5,500,000
First Mortgage Bonds, Series 2017C	1/15/2031	3.00 - 4.00	9,500,000	9,500,000
First Mortgage Bonds, Series 2019A	1/15/2039	3.00	11,870,000	11,870,000
First Mortgage Bonds, Series 2019B	1/15/2029	3.00	12,860,000	12,860,000
				<u>\$ 118,345,000</u>

During the year, the Building Corporation issued First Mortgage Bonds, Series 2019A and 2019 B, in the amount of \$11.87 million and \$12.86 million, respectively.

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

Fiscal Year	Principal	Interest	Total
2021	\$ 12,185,000	\$ 5,118,972	\$ 17,303,972
2022	12,790,000	4,276,541	17,066,541
2023	13,695,000	3,964,755	17,659,755
2024	12,760,000	3,437,040	16,197,040
2025	13,255,000	2,953,446	16,208,446
2026-2030	50,295,000	8,208,252	58,503,252
2031-2035	20,185,000	2,884,800	23,069,800
2036-2040	10,530,000	723,150	11,253,150
	<u>\$ 145,695,000</u>	<u>\$ 31,566,955</u>	<u>\$ 177,261,955</u>

**Common School Fund Loans Payable:** The School Corporation has \$9,576,707 of Common School Fund Loan commitments, of which \$8,648,967 has been drawn as of June 30, 2020. The School Corporation submits applications to the Office of School Finance of the Indiana Department of Education for advancements from the Indiana Common School Fund. The advancements must be used for educational technology as stated in the application and the School Corporation's technology plan. The State Board of Education approves the advancement of funds and the Indiana Treasurer of State's office administers the loan. The outstanding Common School Fund Loans are as follows:

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

Purpose	Maturity Date	Interest Rate	Original Face Amount	Carrying Amount
Common School Fund A1828	1/1/2021	1.00	1,343,800	\$ 268,760
Common School Fund A1870	7/1/2020	1.00	269,290	26,930
Common School Fund A1896	1/1/2021	1.00	1,360,790	272,087
Common School Fund A1935	7/1/2021	1.00	1,429,030	428,707
Common School Fund A1975	7/1/2021	1.00	317,370	95,220
Common School Fund A2858	7/1/2021	1.00	1,527,480	458,245
Common School Fund A2727	7/1/2021	1.00	1,422,880	426,864
Common School Fund A2892	7/1/2022	1.00	655,230	327,618
Common School Fund A2917	7/1/2022	1.00	1,548,510	774,256
Common School Fund A2956	7/1/2023	1.00	1,555,430	1,088,797
Common School Fund B0013	7/1/2023	1.00	1,576,200	1,103,340
Common School Fund B0060	7/1/2024	1.00	1,527,450	1,374,705
Common School Fund B0110	7/1/2023	1.00	1,555,954	1,361,426
Common School Fund B0221	7/1/2024	1.00	1,569,752	642,012
				<u>\$ 8,648,967</u>

During the year, the School Corporation drew down \$1,555,954 and \$642,012 on Common School Fund Loan B0110 and B0221, respectively.

Annual debt service requirements to maturity for Common School Fund Loans, assuming remaining funds are drawn as scheduled, are as follows for governmental activities:

Fiscal Year	Principal	Interest	Total
2021	\$ 3,464,702	\$ 77,801	\$ 3,542,503
2022	2,623,737	53,389	2,677,126
2023	1,933,684	29,496	1,963,180
2024	1,205,619	11,262	1,216,881
2025	348,965	1,745	350,710
	<u>\$ 9,576,707</u>	<u>\$ 173,692</u>	<u>\$ 9,750,399</u>

**Capital leases:** The School Corporation has entered into various lease agreements as lessee for copiers, laptops and chromebooks. Interest rates on capital leases range from 0.98% to 5.63%. These assets have an acquisition cost of \$1,159,747, accumulated depreciation of \$579,685 and a net book value of \$580,062. 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	\$ 261,001	\$ 18,668	\$ 279,669
2022	246,451	10,610	257,061
2023	115,152	3,339	118,491
	<u>\$ 622,603</u>	<u>\$ 32,618</u>	<u>\$ 655,221</u>

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 8 – INTERFUNDS AND TRANSFERS**

Transfers between funds are as follows for the year ending June 30, 2020:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Education	Operations	\$ 7,286,220	Annual transfers between Education and Operations funds
Debt Service	Nonmajor fund	159,994	Temporary loan between Debt Service and Pension Bond funds
Nonmajor fund	Debt Service	159,994	Temporary loan between Debt Service and Pension Bond funds
Operations	Education	17,872,239	Annual transfers between Education and Operations funds
Nonmajor fund	Operations	1,500,000	Transfer of funds from Rainy Day fund to Operations fund
Multi School Building Corporation Debt Service	Debt Service	<u>12,117,000</u>	Transfer of debt service payments to Building Corporation
Total		<u>\$ 39,095,447</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, and dental insurance. Expenses are recorded as incurred. Insurance policies limit the School Corporation's annual liability to \$250,000 per individual and the annual aggregate limit to \$750,000. 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 to be as follows:

	<b>June 30, 2020</b>
	<b><u>Balance</u></b>
<b>Liability, beginning of year</b>	\$ 2,017,048
Add: Current year claims incurred	18,784,717
Less: Claims paid in the current year	<u>(18,862,765)</u>
<b>Liability, end of year</b>	<u>\$ 1,939,000</u>

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
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).

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 \$3,242,670 for the fiscal year ended June 30, 2020.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

Notes to the Financial Statements

June 30, 2020

---

**NOTE 10 - PENSION PLANS** (Continued)

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. 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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

---

**NOTE 10 - PENSION PLANS** (Continued)

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.

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).

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 980 School Corporation employees participating in TRF with annual pay equal to \$57,046,118.

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 \$3,113,089.

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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

Notes to the Financial Statements

June 30, 2020

---

**NOTE 10 - PENSION PLANS** (Continued)

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.

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](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://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 \$140,781,845 and \$12,500,823 as of, and for the year ended June 30, 2019 valuation date. The School Corporation's share of pension expense was \$10,342,045 for the year ended June 30, 2020.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

Notes to the Financial Statements

June 30, 2020

---

**NOTE 10 - PENSION PLANS** (Continued)

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.

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 132 employees participating in the Teachers' Retirement Fund Pre-1996 Account with annual payroll equal to \$10,464,348.

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](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 10 - PENSION PLANS** (Continued)

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 \$18.3 million for PERF and a net pension asset of \$2.4 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	0.0055272	0.0167678	
Net Pension Liability/(Asset)	\$ 18,267,748	\$ (2,408,848)	\$ 15,858,900
Deferred Outflow of Resources	\$ 4,160,777	\$ 7,316,997	\$ 11,477,774
Deferred Inflow of Resources	\$ 3,195,640	\$ 11,808,594	\$ 15,004,234
Pension Expense	\$ 3,057,186	\$ 3,606,580	\$ 6,663,766

The PERF proportionate share in the previous year was 0.0053861 and TRF-1996 was .0164462.

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>	<u>PERF</u>		<u>TRF 1996</u>	
	<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	\$ 483,724	\$ -	\$ 974,472	\$ 2,739,352
Net Difference Between Projected and Actual Investments Earnings on Pension Plan Investments	-	863,470	-	1,318,513
Change of Assumptions	4,067	1,985,839	2,845,639	5,473,428
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	430,316	346,331	383,797	2,277,301
	918,107	3,195,640	4,203,908	11,808,594
Contributions Subsequent to the Measurement Date	3,242,670	-	3,113,089	-
Total	<u>\$ 4,160,777</u>	<u>\$ 3,195,640</u>	<u>\$ 7,316,997</u>	<u>\$ 11,808,594</u>

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 10 - PENSION PLANS** (Continued)

Contributions subsequent to the measurement date of \$3.2 million and \$3.1 million will reverse within the next fiscal year. 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>	<u>PERF</u>	<u>TRF 1996</u>
2020	\$ (716,811)	\$ (580,520)
2021	(1,340,818)	(1,339,994)
2022	(152,862)	(1,158,180)
2023	(67,042)	(740,179)
2024	-	(625,090)
Thereafter	-	(3,160,723)
	<u>\$ (2,277,533)</u>	<u>\$ (7,604,686)</u>

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

	<u>Geometric Basis at June 30, 2020</u>	
	<u>Long Term Expected Rate of Return</u>	<u>Target Asset Allocation</u>
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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
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:	June 30, 2019	
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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
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:

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)%
\$ 29,338,244	\$ 18,267,748	\$ 9,034,107	\$ 14,747,047	\$ (2,408,848)	\$ (16,304,826)

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.

**NOTE 11 - DEFINED CONTRIBUTION PLANS**

The School Corporation provides a 403(b)-retirement plan for all employees. 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 did not make contributions to the plan during the year under audit.

The School Corporation provides a 401(a) plan for all administrators and teachers. The plan contains both accounts for buyout of sick leave and years of service and for matching contributions made by the School Corporation. The School Corporation matches up to a maximum of 2.75% of an employee's salary for teachers and up to a maximum of 4% for administrators. Accounts are vested 100% if an employee has at least one year of service and has terminated employment due to death, total disability or reached the age of 50. Upon vesting, employees can receive distribution in the form of a lump-sum, installments, a cash-out or a direct rollover. 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 \$1,509,032 to the plan during the year under audit.

The School Corporation provides a 457(b) plan for all administrators. This account is immediately vested. 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 did not make contributions to the plan during the year under audit.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

---

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS**

***Metropolitan School District of Lawrence Township Retiree Health Insurance Benefits***

Plan Description: Metropolitan School District of Lawrence Township Retiree Health Insurance Benefits ("the Plan") allows for teachers, administrators and support staff who retire and have either 15 years of service, or 5 years of service, as an administrator, with the School Corporation to be eligible for retiree health benefits until they are eligible for Medicare at age 65. During the fiscal year ended June 30, 2020, the Plan contained 1,240 active employees and 42 retirees. Assets related to the Plan are not held in a trust.

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

<u>Health</u>	<u>Employee</u>	<u>Employee and Spouse</u>
PPO 1000	\$ 1,094.70	\$ 2,423.41
PPO 1500	\$ 1,010.70	\$ 2,334.70
HSA 3000	\$ 702.77	\$ 1,623.42
HSA 5000	\$ 608.17	\$ 1,404.89
Closed Retiree	\$ 1,203.82	N/A

Contributions: Retirees are required to pay the full cost of coverage premiums.

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

The total OPEB liability measured at June 30, 2020 (measurement date) is as follows:

	<u>Total OPEB Liability</u>
<b>Balance at July 1, 2019</b>	\$ 7,771,891
Service cost	651,719
Interest	288,221
Changes in assumptions	542,027
Benefit payments	(428,039)
Net change in total OPEB liability	<u>1,053,928</u>
<b>Balance at June 30, 2020</b>	<u>\$ 8,825,819</u>

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS** (Continued)

Activity during the year included the following:

	<b>Plan Fiduciary Net Position</b>
<b>Balance at July 1, 2019</b>	\$ -
Retiree contributions	428,039
Benefit payments	(428,039)
Net change in fiduciary net position	-
 <b>Balance at June 30, 2020</b>	 \$ -

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

<b>Expense Category:</b>	<b>Amount</b>
Service cost	\$ 651,719
Interest	288,221
Current period recognition of deferred outflows/(inflows) of resources:	
Changes in assumptions	60,225
 Total OPEB Expense	 \$ 1,000,165

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

<u><b>As of fiscal year ended June 30, 2020</b></u>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ 481,802	\$ -
 Total	 \$ 481,802	 \$ -

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

<u><b>Fiscal Year</b></u>	<b>Amortization of Deferred Outflows/(Inflows)</b>
2021	\$ 60,225
2022	60,225
2023	60,225
2024	60,225
2025	60,225
Thereafter	180,677
	\$ 481,802

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Actuarial Assumptions:

Description	OPEB Plan
Measurement Date	June 30, 2020
Actuarial Valuation Date	June 30, 2020 with no adjustments to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of June 30, 2020 actuarially rolled back to July 1, 2019 on a "no loss / no gain" basis.
Discount Rate	2.66% as of June 30, 2020 and 3.51% as of July 1, 2019
Payroll Growth	Payroll growth assumption is based on INPRS PERF and TRF 2020 experience study
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: 30% Active employees with no coverage: 0%
Spousal Coverage	Actual spousal coverage is used for current retirees. For active employees, husbands are assumed to be three years older than wives. Active employees are assumed to elect spousal coverage in retirement based on if they are currently electing coverage.
Mortality	Teachers: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP- 2020 Administrators: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020 Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020
Disability	None
Turnover Rate	Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. Annual withdrawal rates for Support Staff/Administrator employees follow the PERF as of June 30, 2020. Teacher withdrawal rates are based on the TRF 1996 actuarial valuation as of June 30, 2020.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Sensitivity: The following presents the Net 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 (1.66)%	Current Discount Rate (2.66)%	1% Increase (3.66)%
\$ 9,501,980	\$ 8,825,819	\$ 8,191,410

The following presents the Net 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 (3.50)%	Current Rate (4.50)%	1% Increase (5.50)%
\$ 7,860,188	\$ 8,825,819	\$ 9,974,794

**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 offered total virtual instruction in the Spring of 2020 due to local health department orders. When school resumed in the fall of 2020, parents were given the option of virtual or in-person learning. Elementary schools have been providing both in-person and virtual learning to the students since August, 2020. Secondary schools, middle and high, have been offering virtual and a hybrid model (half the students in-person, half virtual on alternating days) since August, 2020. Approximately 30% of the parents elected virtual learning as an option. All other operations of the District have been operating the same way they were prior to the pandemic.

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 investments, may be materially adversely impacted by national, state and local events designed to contain the coronavirus.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the  
 Net Pension Liability  
 June 30, 2020

	<b>PERF</b>					
	2020	2019	2018	2017	2016	2015
School Corporation's proportion of the net pension liability	\$ 18,267,748	\$ 18,296,825	\$ 24,851,689	\$ 24,462,670	\$ 21,391,696	\$ 12,499,773
School Corporation's proportionate share of the net pension liability	0.0055272	0.0053861	0.0055702	0.0053901	0.0052522	0.0047565
School Corporation's covered payroll	\$ 28,797,306	\$ 27,482,875	\$ 27,634,855	\$ 25,832,383	\$ 25,157,249	\$ 23,222,476
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%
	<b>TRF</b>					
	2020	2019	2018	2017	2016	2015
School Corporation's proportion of the net pension liability (asset)	\$ (2,408,848)	\$ 1,824,081	\$ 10,888,633	\$ 12,475,916	\$ 8,073,915	\$ 728,117
School Corporation's proportionate share of the net pension liability	0.0167678	0.0164462	0.0164432	0.0159841	0.0153328	0.0153124
School Corporation's covered payroll	\$ 54,665,447	\$ 51,682,191	\$ 49,649,238	\$ 46,040,106	\$ 42,024,300	\$ 39,627,239
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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
**Required Supplementary Information**  
**Schedule of Contributions - Pension**  
**June 30, 2020**

	PERF					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,242,670	\$ 3,221,174	\$ 3,075,977	\$ 3,093,215	\$ 2,891,157	\$ 2,790,884
Contributions in relation to the statutorily required contribution	3,242,670	3,221,174	3,075,977	3,093,215	2,891,157	2,790,884
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	\$ 29,120,836	\$ 28,797,306	\$ 27,482,875	\$ 27,634,855	\$ 25,832,383	\$ 25,157,249
Contributions as a percentage of covered payroll	11%	11%	11%	11%	11%	11%
	TRF					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 3,113,089	\$ 4,099,205	\$ 3,876,170	\$ 3,723,706	\$ 3,453,022	\$ 3,188,720
Contributions in relation to the statutorily required contribution	3,113,089	4,099,205	3,876,170	3,723,706	3,453,022	3,188,720
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 57,046,118	\$ 54,665,447	\$ 51,682,191	\$ 49,649,238	\$ 46,040,106	\$ 42,024,300
Contributions as a percentage of covered payroll	5%	7%	8%	8%	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 \$12,500,826 and \$12,307,387.

**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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
 Required Supplementary Information  
 Changes in Total Other Postemployment Benefits Liability  
 June 30, 2020

<b>Fiscal year ending June 30,</b>	<u><b>2020</b></u>
Total OPEB liability;	
Service cost	\$ 651,719
Interest on the total OPEB liability	288,221
Changes of assumptions	542,027
Benefit payments, including refunds of employee contributions	<u>(428,039)</u>
Net change in total OPEB liability	1,053,928
	Total OPEB liability - beginning
	7,771,891
	<u><u>\$ 8,825,819</u></u>
 Plan fiduciary net position;	
Employer contributions	\$ 428,039
Benefit payments, including refunds of employee contributions	<u>(428,039)</u>
Net change in plan fiduciary net position	-
	Plan fiduciary net position - beginning
	-
	Plan fiduciary net position - ending
	<u><u>\$ -</u></u>
	 Total OPEB liability - ending
	<u><u>\$ 8,825,819</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	0%
Covered payroll	\$ 94,609,125
Total OPEB liability as a percentage of covered payroll	9%

*Valuation date: June 30, 2020*

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

*Inflation: 2.25% per year*

*Salary increases: Payroll growth assumption is based on INPRS PERF and TRF 2020 experience study.*

*Mortality:*

*Teachers: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2020*

*Administrators: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020*

*Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020*

\*\* 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.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
 Required Supplementary Information  
 Major Special Revenue Funds  
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual  
 Year ended June 30, 2020

	<b>Operations Fund</b>			<b>Variance from final budget over (under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 28,908,271	\$ 28,908,271	\$ 26,061,731	\$ (2,846,540)
Other revenues	-	-	5,611	5,611
Total revenues	<u>28,908,271</u>	<u>28,908,271</u>	<u>26,067,342</u>	<u>(2,840,929)</u>
<b>Expenditures</b>				
Support services	33,671,752	33,671,752	34,940,204	1,268,452
Capital outlays	12,150	12,150	251,335	239,185
Total expenditures	<u>33,683,902</u>	<u>33,683,902</u>	<u>35,191,539</u>	<u>1,507,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,775,631)</u>	<u>(4,775,631)</u>	<u>(9,124,197)</u>	<u>(4,348,566)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	18,000,000	16,337,130	(1,662,870)
Transfers out	-	(7,000,000)	(6,257,340)	742,660
Total other financing sources (uses)	<u>-</u>	<u>11,000,000</u>	<u>10,079,790</u>	<u>(920,210)</u>
Net change in fund balances	<u>\$ (4,775,631)</u>	<u>\$ 6,224,369</u>	955,593	<u>\$ (5,268,776)</u>
Fund balances at beginning of year			<u>7,413,065</u>	
Fund balances at end of year			<u>\$ 8,368,658</u>	

The above schedule is prepared on a budgetary cash basis for the most recent calendar year end (2019) based on State of Indiana law.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**  
 Required Supplementary Information  
 Major Special Revenue Funds  
 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual  
 Year ended June 30, 2020

	<b>Education Fund</b>			<b>Variance from final budget over (under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 345,000	\$ 345,000	\$ 2,452,286	\$ 2,107,286
State sources	110,981,171	110,981,171	111,502,481	521,310
Federal sources	-	-	512,547	512,547
Total revenues	<u>111,326,171</u>	<u>111,326,171</u>	<u>114,467,314</u>	<u>3,141,143</u>
<b>Expenditures</b>				
Instruction	83,013,316	83,013,316	82,773,962	(239,354)
Support services	19,086,540	19,086,540	19,312,978	226,438
Operation of noninstructional services	700,224	700,224	1,082,113	381,889
Other debt services	5,900	5,900	-	(5,900)
Total expenditures	<u>102,805,980</u>	<u>102,805,980</u>	<u>103,169,053</u>	<u>363,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,520,191</u>	<u>8,520,191</u>	<u>11,298,261</u>	<u>2,778,070</u>
Other financing sources (uses)				
Transfers in	-	7,000,000	4,752,508	(2,247,492)
Transfers out	-	(18,000,000)	(16,094,680)	1,905,320
Total other financing sources (uses)	<u>-</u>	<u>(11,000,000)</u>	<u>(11,342,172)</u>	<u>(342,172)</u>
Net change in fund balances	<u>\$ 8,520,191</u>	<u>\$ (2,479,809)</u>	(43,911)	<u>\$ 2,435,898</u>
Fund balances at beginning of year			<u>10,055,285</u>	
Fund balances at end of year			<u>\$ 10,011,374</u>	

The above schedule is prepared on a budgetary cash basis for the most recent calendar year end (2019) based on State of Indiana law.

**METROPOLITAN SCHOOL DISTRICT OF LAWRENCE TOWNSHIP**

Notes to Required Supplementary Information

June 30, 2020

---

**NOTE 1 – BUDGETS AND BUDGETARY BASIS OF ACCOUNTING**

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

While the School Corporation reports on a June 30 year end under the economic resources measurement focus and the accrual basis of accounting, budgets are prepared on a cash basis for each calendar year end.

Budget to actual schedules of revenues, expenditures and changes in fund balances have been presented for each major special revenue fund.