

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

AUDIT REPORT

OF

VALPARAISO COMMUNITY SCHOOLS

PORTER COUNTY, INDIANA

July 1, 2005 to June 30, 2007



FILED

03/17/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joanne Boyer	07-01-05 to 06-30-08
Assistant Superintendent for Business	H. Stephen Hewlett	07-01-05 to 06-30-08
Superintendent of Schools	Dr. Michael P. Benway	07-01-05 to 06-30-08
President of the School Board	Lorrie Woycik Douglas McMillan Mark Schmidtke	07-01-05 to 06-30-06 07-01-06 to 06-30-07 07-01-07 to 06-30-08



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE VALPARAISO COMMUNITY SCHOOLS, PORTER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Valparaiso Community Schools (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 4, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 4, 2007



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE VALPARAISO COMMUNITY SCHOOLS, PORTER COUNTY, INDIANA

We have audited the financial statements of the of the Valparaiso Community Schools (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 4, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in items 2007-1 and 2007-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated December 4, 2007.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 4, 2007

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 20,282,873	\$ -	\$ 142,467	\$ (20,140,406)
Support services	24,071,533	2,218,672	565,257	(21,287,604)
Community services	622,939	-	-	(622,939)
Nonprogrammed charges	6,041,719	-	-	(6,041,719)
Debt service	<u>20,712,891</u>	<u>-</u>	<u>-</u>	<u>(20,712,891)</u>
Total governmental activities	<u>\$ 71,731,955</u>	<u>\$ 2,218,672</u>	<u>\$ 707,724</u>	<u>(68,805,559)</u>
General receipts:				
Property taxes				22,442,819
Other local sources				5,207,968
State aid				19,158,566
Bonds and loans				9,590,000
Grants and contributions not restricted to specific programs				852,041
Sale of property, adjustments, and refunds				3,221,085
Investment earnings				<u>492,537</u>
Total general receipts				<u>60,965,016</u>
Change in net assets				(7,840,543)
Net assets - beginning				<u>23,056,345</u>
Net assets - ending				<u>\$ 15,215,802</u>
<u>Assets</u>				
Cash and investments				\$ 9,828,289
Restricted assets:				
Cash and investments				<u>5,387,513</u>
Total assets				<u>\$ 15,215,802</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,067,874
Other purposes				3,319,639
Unrestricted				<u>9,828,289</u>
Total net assets				<u>\$ 15,215,802</u>

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

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 20,141,531	\$ -	\$ 143,238	\$ (19,998,293)
Support services	22,231,762	2,390,420	680,186	(19,161,156)
Community services	610,388	-	-	(610,388)
Nonprogrammed charges	6,753,102	-	-	(6,753,102)
Debt service	<u>21,203,643</u>	<u>-</u>	<u>-</u>	<u>(21,203,643)</u>
Total governmental activities	<u>\$ 70,940,426</u>	<u>\$ 2,390,420</u>	<u>\$ 823,424</u>	<u>(67,726,582)</u>
General receipts:				
Property taxes				30,854,810
Other local sources				5,656,102
State aid				19,452,548
Bonds and loans				9,396,343
Grants and contributions not restricted to specific programs				868,458
Sale of property, adjustments, and refunds				3,007,506
Investment earnings				<u>695,188</u>
Total general receipts				<u>69,930,955</u>
Change in net assets				2,204,373
Net assets - beginning				<u>15,215,802</u>
Net assets - ending				<u>\$ 17,420,175</u>
<u>Assets</u>				
Cash and investments				\$ 11,221,240
Restricted assets:				
Cash and investments				<u>6,198,935</u>
Total assets				<u>\$ 17,420,175</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,376,188
Other purposes				3,822,747
Unrestricted				<u>11,221,240</u>
Total net assets				<u>\$ 17,420,175</u>

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

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 13,117,022	\$ 2,242,815	\$ -	\$ 7,715,546	\$ 3,829,741	\$ 301,540	\$ 3,071,379	\$ 30,278,043
Intermediate sources	291	-	-	-	-	-	-	291
State sources	19,276,238	60	-	-	-	-	245,063	19,521,361
Federal sources	-	-	-	-	-	-	1,196,971	1,196,971
Bonds and loans	8,638,000	-	-	952,000	-	-	-	9,590,000
Sale of property, adjustments and refunds	1,392,150	1,721	-	-	885,590	-	2,440	2,281,901
Total receipts	42,423,701	2,244,596	-	8,667,546	4,715,331	301,540	4,515,853	62,868,567
Disbursements:								
Current:								
Instruction	19,603,793	-	-	-	-	-	679,080	20,282,873
Support services	14,956,481	2,714,497	1,025,475	514,836	4,988,885	499,000	3,070,739	27,769,913
Community services	622,419	-	-	-	-	-	520	622,939
Nonprogrammed charges	2,060,998	-	-	-	-	-	150,727	2,211,725
Debt services	7,588,500	702,000	-	10,437,131	765,000	320,000	900,260	20,712,891
Total disbursements	44,832,191	3,416,497	1,025,475	10,951,967	5,753,885	819,000	4,801,326	71,600,341
Excess (deficiency) of receipts over disbursements	(2,408,490)	(1,171,901)	(1,025,475)	(2,284,421)	(1,038,554)	(517,460)	(285,473)	(8,731,774)
Other financing sources (uses):								
Transfers in	158,052	-	1,359,000	-	-	-	-	1,517,052
Transfers out	-	(600,000)	-	-	(400,000)	(359,000)	(154,894)	(1,513,894)
Total other financing sources (uses)	158,052	(600,000)	1,359,000	-	(400,000)	(359,000)	(154,894)	3,158
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,250,438)	(1,771,901)	333,525	(2,284,421)	(1,438,554)	(876,460)	(440,367)	(8,728,616)
Cash and investments - beginning	5,335,319	2,486,786	1,800,000	4,250,393	3,397,382	929,175	2,425,724	20,624,779
Cash and investments - ending	<u>\$ 3,084,881</u>	<u>\$ 714,885</u>	<u>\$ 2,133,525</u>	<u>\$ 1,965,972</u>	<u>\$ 1,958,828</u>	<u>\$ 52,715</u>	<u>\$ 1,985,357</u>	<u>11,896,163</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								<u>3,319,639</u>
Net assets of governmental activities								<u>\$ 15,215,802</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 3,084,881	\$ 714,885	\$ 2,133,525	\$ -	\$ 1,958,828	\$ 52,715	\$ 1,883,455	\$ 9,828,289
Restricted assets:								
Cash and investments	-	-	-	1,965,972	-	-	101,902	2,067,874
Total cash and investment assets - ending	<u>\$ 3,084,881</u>	<u>\$ 714,885</u>	<u>\$ 2,133,525</u>	<u>\$ 1,965,972</u>	<u>\$ 1,958,828</u>	<u>\$ 52,715</u>	<u>\$ 1,985,357</u>	<u>\$ 11,896,163</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 1,965,972	\$ -	\$ -	\$ 101,902	\$ 2,067,874
Unrestricted	3,084,881	714,885	2,133,525	-	1,958,828	52,715	1,883,455	9,828,289
Total cash and investment fund balance - ending	<u>\$ 3,084,881</u>	<u>\$ 714,885</u>	<u>\$ 2,133,525</u>	<u>\$ 1,965,972</u>	<u>\$ 1,958,828</u>	<u>\$ 52,715</u>	<u>\$ 1,985,357</u>	<u>\$ 11,896,163</u>

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

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:								
Local sources	\$ 17,701,319	\$ 3,027,571	\$ -	\$ 9,681,867	\$ 4,640,153	\$ 254,947	\$ 4,145,917	\$ 39,451,774
State sources	19,571,711	604	-	-	-	-	237,530	19,809,845
Federal sources	-	-	-	-	-	-	1,334,585	1,334,585
Bonds and loans	7,718,843	-	-	952,000	-	-	725,500	9,396,343
Sale of property, adjustments and refunds	1,072,452	3,102	-	1,756	797,729	-	5,151	1,880,190
Interfund loans	-	958,508	-	-	540,867	-	1,499,376	2,998,751
Total receipts	46,064,325	3,989,785	-	10,635,623	5,978,749	254,947	7,948,059	74,871,488
Disbursements:								
Current:								
Instruction	19,489,866	-	-	-	-	-	651,666	20,141,532
Support services	14,107,058	2,384,543	1,500,000	900	4,781,280	-	2,986,743	25,760,524
Community services	609,191	-	-	-	-	-	1,197	610,388
Nonprogrammed charges	2,227,735	-	-	-	-	-	227,650	2,455,385
Debt services	8,638,000	-	-	10,907,908	-	-	1,657,735	21,203,643
Interfund loans	-	958,508	-	-	540,867	-	1,499,376	2,998,751
Total disbursements	45,071,850	3,343,051	1,500,000	10,908,808	5,322,147	-	7,024,367	73,170,223
Excess (deficiency) of receipts over disbursements	992,475	646,734	(1,500,000)	(273,185)	656,602	254,947	923,692	1,701,265
Other financing sources (uses)								
Transfers in	8,367	-	1,200,000	-	-	-	-	1,208,367
Transfers out	-	(400,000)	-	-	(800,000)	-	(8,367)	(1,208,367)
Total other financing sources (uses)	8,367	(400,000)	1,200,000	-	(800,000)	-	(8,367)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,000,842	246,734	(300,000)	(273,185)	(143,398)	254,947	915,325	1,701,265
Cash and investments - beginning	3,084,881	714,885	2,133,525	1,965,972	1,958,828	52,715	1,985,357	11,896,163
Cash and investments - ending	<u>\$ 4,085,723</u>	<u>\$ 961,619</u>	<u>\$ 1,833,525</u>	<u>\$ 1,692,787</u>	<u>\$ 1,815,430</u>	<u>\$ 307,662</u>	<u>\$ 2,900,682</u>	<u>13,597,428</u>
Amounts reported for governmental activities in the Statement of Cash Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								<u>3,822,747</u>
Net assets of governmental activities								<u>\$ 17,420,175</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ 4,085,723	\$ 961,620	\$ 1,833,525	\$ -	\$ 1,815,430	\$ 307,662	\$ 2,217,280	\$ 11,221,240
Restricted assets:								
Cash and investments	-	-	-	1,692,786	-	-	683,402	2,376,188
Total cash and investment assets - ending	<u>\$ 4,085,723</u>	<u>\$ 961,620</u>	<u>\$ 1,833,525</u>	<u>\$ 1,692,786</u>	<u>\$ 1,815,430</u>	<u>\$ 307,662</u>	<u>\$ 2,900,682</u>	<u>\$ 13,597,428</u>
Cash and Investment Fund Balance - Ending								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 1,692,786	\$ -	\$ -	\$ 683,402	\$ 2,376,188
Unrestricted	4,085,723	961,620	1,833,525	-	1,815,430	307,662	2,217,280	11,221,240
Total cash and investment fund balance - ending	<u>\$ 4,085,723</u>	<u>\$ 961,620</u>	<u>\$ 1,833,525</u>	<u>\$ 1,692,786</u>	<u>\$ 1,815,430</u>	<u>\$ 307,662</u>	<u>\$ 2,900,682</u>	<u>\$ 13,597,428</u>

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

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	Internal Service Funds
Operating receipts:	
Miscellaneous	\$ 4,721,224
Operating disbursements:	
Insurance claims and expense	3,829,994
Excess of operating receipts over operating disbursements	891,230
Transfers out	(3,158)
Change in net assets	888,072
Cash and investment fund balance - beginning	2,431,567
Cash and investment fund balance - ending	\$ 3,319,639
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 3,319,639
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 3,319,639

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

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Internal Service Funds
Operating receipts:	
Miscellaneous	\$ 4,800,824
Operating disbursements:	
Insurance claims and expense	4,297,716
Change in net assets	503,108
Cash and investment fund balance - beginning	3,319,639
Cash and investment fund balance - ending	\$ 3,822,747
 <u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	\$ 3,822,747
 <u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	\$ 3,822,747

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

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Pension Trust Fund	Agency Fund
Additions:		
Contributions:		
Employer	\$ 13,210,000	
Investment earnings:		
Interest	<u>412,411</u>	
Total additions	13,622,411	
Deductions:		
Benefits	<u>1,679,516</u>	
Deficiency of total additions over total deductions	11,942,895	
Cash and investment fund balance - beginning	<u>4,132,246</u>	
Cash and investment fund balance - ending	<u>\$ 16,075,141</u>	
Net assets:		
Cash and investments	<u>\$ 16,075,141</u>	<u>\$ 8,481</u>
Total net assets - cash and investment basis held in trust	<u>\$ 16,075,141</u>	<u>\$ 8,481</u>

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

VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended June 30, 2007

	Pension Trust Fund	Agency Fund
Additions:		
Investment earnings:		
Interest	\$ 713,324	
Deductions:		
Benefits	1,348,553	
Deficiency of total additions over total deductions	(635,229)	
Cash and investment fund balance - beginning	16,075,141	
Cash and investment fund balance - ending	<u>\$ 15,439,912</u>	
Net assets:		
Cash and investments	\$ 15,439,912	\$ 11,573
Total net assets - cash and investment basis held in trust	<u>\$ 15,439,912</u>	<u>\$ 11,573</u>

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

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Valparaiso Community Schools

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

Porter County Education Interlocal (Co-op)

The School Corporation is a participant with other Porter County school corporations in a joint venture to operate the Porter County Education Interlocal (Co-op) which was created to provide special education, vocational education, and the alternative school. The School Corporation is obligated by contract to remit tuition to the Co-op based on the number of students who participate in these programs. For the 2005-2006 and 2006-2007 school years, the School Corporation paid from the General and Special Education Preschool Funds a combined, \$1,725,375 and \$1,860,017, respectively.

In addition, the School Corporation pays the Co-op for designated rooms at various schools that are used to deliver services. For the 2005-2006 and 2006-2007 school years, the School Corporation paid from the Capital Projects Fund \$1,146,776 and \$1,292,030, respectively. The Co-op's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the Co-op for \$646,225. Complete financial statements for the Porter County Education Interlocal (Co-op) can be obtained from 750 Ransom Road, Valparaiso, IN 46385.

Northwest Indiana Public School Study Council

The School Corporation is a participant with other Northwest Indiana School Corporations in a joint venture to operate the Northwest Indiana Public School Study Council (Study Council), which was created to study the problems and issues involved in the improvement of public education. The School Corporation is obligated to remit \$1,250 annually to belong to the Study Council. Each participating school corporation provides a member to participate on the Study Council's governing board. Complete financial statements for the Study Council can be obtained from the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, IN 46410.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets-Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is used to account for transfers of unused and unencumbered funds to be used in times of economic downturn.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service funds accounts for self-insurance dental and self-insurance health, account for medical and dental benefits provided to other departments and retirees on a cost-reimbursement basis.

The pension trust fund accounts for the activities of bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

The agency fund accounts for assets held by the School Corporation as an agent for other entities.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100%

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 7 to 13 days per year based upon job classification and years of service. Unused sick leave may be accumulated to a maximum of 150 to 200 days depending upon job classification between noncertified and administrative personnel. Accumulated sick leave is not paid to noncertified employees upon termination. Sick leave does not accumulate from year to year. Accumulated sick leave is paid upon termination to certified teachers hired prior to June 30, 1998.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. However, unused vacation may be used during the 6 months following year end. Noncertified employees are paid for unused vacation upon termination.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 4 days per year. Unused personal leave is converted to sick leave at year end.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets-Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets-Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances-Cash and Investments Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
Title I	\$ 18,249	\$ -
Learn and Serve America 2005-2006	4,827	-
Safe Haven 2007	-	11,000
Enhancing Education Title II 2005-2006	-	31,222
Totals	<u>\$ 23,076</u>	<u>\$ 42,222</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. Indiana Code 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. At June 30, 2007, the bank balance held at First National Bank in the amount of \$1,399,383 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name. The remaining 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2007, the School Corporation had the following investments:

Investment Type	Market Value
Certificate of Deposit	\$ 14,425,103
Repurchase Agreements	1,399,383
Total	\$ 15,824,486

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2007, the School Corporation held investments in repurchase agreements in the amount of \$1,399,383. Of these investments \$1,399,383 were held by the counterparty's trust department or agent but not in the School Corporation's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Less Than 1
Certificate of deposit	\$ 14,425,103
Repurchase agreements	<u>1,399,383</u>
Total	<u><u>\$ 15,824,486</u></u>

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 does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
Transportation Operating Fund	Rainy Day Fund	\$ 600,000	\$ 400,000
Capital Projects Fund	Rainy Day Fund	400,000	800,000
School Bus Replacement Fund	Rainy Day Fund	359,000	-
Other governmental funds	General Fund	154,894	8,367
Internal Service Fund	General Fund	<u>3,158</u>	<u>-</u>
Totals		<u>\$ 1,517,052</u>	<u>\$ 1,208,367</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Operating Leases

The School Corporation has entered into various operating leases having initial or remaining non-cancelable terms exceeding one year for copiers. Future minimum rental payment for the 2007-2008 school year is \$222,093.24.

IV. Other Information

A. 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.

Medical and Dental Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with medical and dental benefits. The risk financing fund is accounted for in the Self-Insurance Health and Dental Funds, internal service funds, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 up to \$5,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions

B. Holding Corporations

The School Corporation has entered into a capital lease with the Valparaiso Multi-Schools Building Corporation and the Valparaiso Middle School Building Corporation (the lessors). The lessors were organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors had been determined to be a related party of the School Corporation. Lease payments during the year totaled \$9,605,000.

C. Subsequent Events

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2007. Currently tax bills have not been mailed for the spring or fall installment normally due in May and November. Officials anticipate billing the 2006 pay 2007 property taxes in December 2007. The taxes will be due and payable in one installment with an anticipated due date of late December, 2007 or early January, 2008. Officials anticipate receipts of the taxes collected sometime in March 2008.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment severance and social security bridge benefits, as authorized by Indiana Code 5-10-8, to all certified employees who were employed by the School Corporation on a regular teacher's contract prior to January 1, 1998, and who retire from the School Corporation on or after attaining age 55 with at least 10 years of service. A certified employee meeting these requirements shall receive severance pay in an amount equal to ¼% per year of teaching experience in the School Corporation plus 15% of accumulated sick leave days multiplied by the certified employee's base salary during the last year of service. In addition, the School Corporation will provide a "bridge" to full social security benefits for each eligible retiree on or after attaining age 55 and has at least 20 years of teaching service in public schools, with at least 10 years of which are with the School Corporation. The "bridge" amount is equal to the calculated severance pay amount and is provided for the first 5 years after retirement or until the retiree is eligible for full social security benefits, whichever occurs first.

Currently, 55 retirees meet these eligibility requirements. The School Corporation provides 100% of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$639,943 were recognized for postemployment benefits.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the School Corporation and the Utilities is not available.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 344,771
Interest on net pension obligation	(47,232)
Adjustment to annual required contribution	53,824
Annual pension cost	351,363
Contributions made	364,852
Decrease in net pension obligation	(13,489)
Net pension obligation, beginning of year	(651,469)
Net pension obligation, end of year	\$ (664,958)
Contribution rates:	
School Corporation	5.75%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 250,697	152%	\$ (570,011)
	06-30-05	287,193	128%	(651,469)
	06-30-06	351,361	127%	(664,958)

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

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

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

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

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

Plan members are required to contribute 3% of their salary, which is paid by the School Corporation. The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$418,948, \$375,857, and \$332,072, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

VALPARAISO COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 6,704,390	\$ 6,359,845	\$ 344,545	105%	\$ 5,889,170	6%
07-01-05	6,998,380	7,204,829	(206,449)	97%	6,027,946	(3%)
07-01-06	6,555,809	6,954,764	(398,955)	94%	6,114,483	(7%)

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	Special Education	Cafeteria Fund	Textbook Fund	Alternative Education	Safe Haven 03-04	Safe Haven 04-05	Safe Haven 05-06
Receipts:							
Local sources	\$ 30,821	\$ 1,647,716	\$ 570,957	\$ -	\$ -	\$ -	\$ -
State sources	154,634	38,917	-	15,758	-	-	7,152
Federal sources	-	526,279	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	2,440	-	-	-	-
Total receipts	185,455	2,212,912	573,397	15,758	-	-	7,152
Disbursements:							
Current:							
Instruction	-	-	-	26,854	-	-	-
Support services	2,081	2,115,014	604,589	-	36	2,411	7,152
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	146,985	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	149,066	2,115,014	604,589	26,854	36	2,411	7,152
Excess (deficiency) of receipts over disbursements	36,389	97,898	(31,192)	(11,096)	(36)	(2,411)	-
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	36,389	97,898	(31,192)	(11,096)	(36)	(2,411)	-
Cash and investments - beginning	77,823	388,536	548,826	48,248	36	2,411	-
Cash and investments - ending	<u>\$ 114,212</u>	<u>\$ 486,434</u>	<u>\$ 517,634</u>	<u>\$ 37,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 114,212	\$ 486,434	\$ 517,634	\$ 37,152	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 114,212</u>	<u>\$ 486,434</u>	<u>\$ 517,634</u>	<u>\$ 37,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	114,212	486,434	517,634	37,152	-	-	-
Total cash and investment fund balance - ending	<u>\$ 114,212</u>	<u>\$ 486,434</u>	<u>\$ 517,634</u>	<u>\$ 37,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Minority Awareness	Little Bears Fund	Peace Village	Next Leadership Fund	Gifts/Donations	Discovery Alliance	Gifted and Talented
Receipts:							
Local sources	\$ -	\$ 1,000	\$ -	\$ -	\$ 18,098	\$ -	\$ -
State sources	-	-	-	-	-	-	21,685
Federal sources	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Total receipts	-	1,000	-	-	18,098	-	21,685
Disbursements:							
Current:							
Instruction	-	-	2,193	-	8,422	-	22,547
Support services	-	-	-	1,949	-	-	383
Community services	-	-	-	-	-	520	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Total disbursements	-	-	2,193	1,949	8,422	520	22,930
Excess (deficiency) of receipts over disbursements	-	1,000	(2,193)	(1,949)	9,676	(520)	(1,245)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,000	(2,193)	(1,949)	9,676	(520)	(1,245)
Cash and investments - beginning	1,186	-	3,510	2,256	2,612	4,355	2,266
Cash and investments - ending	<u>\$ 1,186</u>	<u>\$ 1,000</u>	<u>\$ 1,317</u>	<u>\$ 307</u>	<u>\$ 12,288</u>	<u>\$ 3,835</u>	<u>\$ 1,021</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,186	\$ 1,000	\$ 1,317	\$ 307	\$ 12,288	\$ 3,835	\$ 1,021
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,186</u>	<u>\$ 1,000</u>	<u>\$ 1,317</u>	<u>\$ 307</u>	<u>\$ 12,288</u>	<u>\$ 3,835</u>	<u>\$ 1,021</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,186	1,000	1,317	307	12,288	3,835	1,021
Total cash and investment fund balance - ending	<u>\$ 1,186</u>	<u>\$ 1,000</u>	<u>\$ 1,317</u>	<u>\$ 307</u>	<u>\$ 12,288</u>	<u>\$ 3,835</u>	<u>\$ 1,021</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Memorial Donation	Parkview Donation	Non-English Speaking Program	School Tech Fund	NW Indiana Literacy 02-03	Title I 04-05
Receipts:						
Local sources	\$ -	\$ 1,000	\$ -	\$ 63,727	\$ -	\$ -
State sources	-	-	3,111	-	3,806	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	1,000	3,111	63,727	3,806	-
Disbursements:						
Current:						
Instruction	178	1,667	4,136	52,207	-	24,363
Support services	-	-	-	94,681	-	5,265
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	178	1,667	4,136	146,888	-	29,628
Excess (deficiency) of receipts over disbursements	(178)	(667)	(1,025)	(83,161)	3,806	(29,628)
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(178)	(667)	(1,025)	(83,161)	3,806	(29,628)
Cash and investments - beginning	178	3,016	3,138	198,513	(3,806)	29,628
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,349</u>	<u>\$ 2,113</u>	<u>\$ 115,352</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 2,349	\$ 2,113	\$ 115,352	\$ -	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 2,349</u>	<u>\$ 2,113</u>	<u>\$ 115,352</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	2,349	2,113	115,352	-	-
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 2,349</u>	<u>\$ 2,113</u>	<u>\$ 115,352</u>	<u>\$ -</u>	<u>\$ -</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Title I	Title I Part D 04-05	Title I Part D	ESEA Title V 03-04	ESEA Title V 04-05	ESEA Title V 05-06
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	336,301	953	7,834	-	-	17,351
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	336,301	953	7,834	-	-	17,351
Disbursements:						
Current:						
Instruction	272,630	2,456	5,472	-	-	-
Support services	75,002	230	419	5,866	18,170	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	300	-	-
Debt services	-	-	-	-	-	-
Total disbursements	347,632	2,686	5,891	6,166	18,170	-
Excess (deficiency) of receipts over disbursements	(11,331)	(1,733)	1,943	(6,166)	(18,170)	17,351
Other financing sources (uses):						
Transfers out	(6,919)	-	(133)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,250)	(1,733)	1,810	(6,166)	(18,170)	17,351
Cash and investments - beginning	-	1,733	-	6,166	24,315	-
Cash and investments - ending	<u>\$ (18,250)</u>	<u>\$ -</u>	<u>\$ 1,810</u>	<u>\$ -</u>	<u>\$ 6,145</u>	<u>\$ 17,351</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (18,250)	\$ -	\$ 1,810	\$ -	\$ 6,145	\$ 17,351
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ (18,250)</u>	<u>\$ -</u>	<u>\$ 1,810</u>	<u>\$ -</u>	<u>\$ 6,145</u>	<u>\$ 17,351</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(18,250)	-	1,810	-	6,145	17,351
Total cash and investment fund balance - ending	<u>\$ (18,250)</u>	<u>\$ -</u>	<u>\$ 1,810</u>	<u>\$ -</u>	<u>\$ 6,145</u>	<u>\$ 17,351</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Learn and Serve America 03-04	Learn and Serve America 04-05	Learn and Serve America 05-06	Serve and Learn Homeland Security	Points of Lights Program	Learn and Serve History 03-04
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	18,000	-	61,000	25,000	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	-	18,000	-	61,000	25,000	-
Disbursements:						
Current:						
Instruction	274	2,240	8,141	50,375	13,313	24,537
Support services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Total disbursements	274	2,240	8,141	50,375	13,313	24,537
Excess (deficiency) of receipts over disbursements	(274)	15,760	(8,141)	10,625	11,687	(24,537)
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(274)	15,760	(8,141)	10,625	11,687	(24,537)
Cash and investments - beginning	274	6,009	3,314	25,104	22,667	24,537
Cash and investments - ending	<u>\$ -</u>	<u>\$ 21,769</u>	<u>\$ (4,827)</u>	<u>\$ 35,729</u>	<u>\$ 34,354</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 21,769	\$ (4,827)	\$ 35,729	\$ 34,354	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 21,769</u>	<u>\$ (4,827)</u>	<u>\$ 35,729</u>	<u>\$ 34,354</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	21,769	(4,827)	35,729	34,354	-
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 21,769</u>	<u>\$ (4,827)</u>	<u>\$ 35,729</u>	<u>\$ 34,354</u>	<u>\$ -</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Star School 03-04	Safe and Drug Free Schools 04-05	Safe and Drug Free Schools 05-06	Educate America Title II 02-03	Educate America Title II 03-04	Educate America Title II 04-05
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	3,483	18,675	-	-	90,000
Sale of property, adjustments and refunds	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>3,483</u>	<u>18,675</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
Disbursements:						
Current:						
Instruction	-	13,645	979	(3,635)	3,612	65,382
Support services	-	-	-	-	(140)	23,244
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	3,442
Debt services	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>13,645</u>	<u>979</u>	<u>(3,635)</u>	<u>3,472</u>	<u>92,068</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(10,162)</u>	<u>17,696</u>	<u>3,635</u>	<u>(3,472)</u>	<u>(2,068)</u>
Other financing sources (uses):						
Transfers out	-	-	-	(147,842)	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(10,162)	17,696	(144,207)	(3,472)	(2,068)
Cash and investments - beginning	<u>8,597</u>	<u>10,162</u>	<u>-</u>	<u>144,207</u>	<u>3,472</u>	<u>14,865</u>
Cash and investments - ending	<u>\$ 8,597</u>	<u>\$ -</u>	<u>\$ 17,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,797</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 8,597	\$ -	\$ 17,696	\$ -	\$ -	\$ 12,797
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 8,597</u>	<u>\$ -</u>	<u>\$ 17,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,797</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>8,597</u>	<u>-</u>	<u>17,696</u>	<u>-</u>	<u>-</u>	<u>12,797</u>
Total cash and investment fund balance - ending	<u>\$ 8,597</u>	<u>\$ -</u>	<u>\$ 17,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,797</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006
 (Continued)

	Enhancing Education Title II 04-05	Enhancing Education Title II 05-06	Language Minority Title III 05-06	Retirement/ Severance Fund	TJM Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 727,106	\$ 10,954	\$ 3,071,379
State sources	-	-	-	-	-	245,063
Federal sources	-	61,981	30,114	-	-	1,196,971
Sale of property, adjustments and refunds	-	-	-	-	-	2,440
Total receipts	-	61,981	30,114	727,106	10,954	4,515,853
Disbursements:						
Current:						
Instruction	-	53,350	23,742	-	-	679,080
Support services	1,167	15,554	-	41,892	55,774	3,070,739
Community services	-	-	-	-	-	520
Nonprogrammed charges	-	-	-	-	-	150,727
Debt services	-	-	-	900,260	-	900,260
Total disbursements	1,167	68,904	23,742	942,152	55,774	4,801,326
Excess (deficiency) of receipts over disbursements	(1,167)	(6,923)	6,372	(215,046)	(44,820)	(285,473)
Other financing sources (uses):						
Transfers out	-	-	-	-	-	(154,894)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,167)	(6,923)	6,372	(215,046)	(44,820)	(440,367)
Cash and investments - beginning	6,559	10,746	3,022	316,948	480,295	2,425,724
Cash and investments - ending	<u>\$ 5,392</u>	<u>\$ 3,823</u>	<u>\$ 9,394</u>	<u>\$ 101,902</u>	<u>\$ 435,475</u>	<u>\$ 1,985,357</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 5,392	\$ 3,823	\$ 9,394	\$ -	\$ 435,475	\$ 1,883,455
Restricted assets:						
Cash and investments	-	-	-	101,902	-	101,902
Total cash and investment assets - ending	<u>\$ 5,392</u>	<u>\$ 3,823</u>	<u>\$ 9,394</u>	<u>\$ 101,902</u>	<u>\$ 435,475</u>	<u>\$ 1,985,357</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 101,902	\$ -	\$ 101,902
Unrestricted	5,392	3,823	9,394	-	435,475	1,883,455
Total cash and investment fund balance - ending	<u>\$ 5,392</u>	<u>\$ 3,823</u>	<u>\$ 9,394</u>	<u>\$ 101,902</u>	<u>\$ 435,475</u>	<u>\$ 1,985,357</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	Special Education	Cafeteria Fund	Textbook Fund	Alternative Education	Safe Haven 2007	Minority Awareness	Little Bears Fund
Receipts:							
Local sources	\$ 40,291	\$ 1,769,696	\$ 620,724	\$ -	\$ -	\$ -	\$ -
State sources	152,888	39,145	-	10,771	10,000	-	-
Federal sources	-	640,436	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	2,807	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	<u>193,179</u>	<u>2,449,277</u>	<u>623,531</u>	<u>10,771</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Disbursements:							
Current:							
Instruction	-	-	-	36,690	-	1,125	850
Support services	-	2,185,766	532,988	-	21,000	61	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	227,955	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>227,955</u>	<u>2,185,766</u>	<u>532,988</u>	<u>36,690</u>	<u>21,000</u>	<u>1,186</u>	<u>850</u>
Excess (deficiency) of receipts over disbursements	<u>(34,776)</u>	<u>263,511</u>	<u>90,543</u>	<u>(25,919)</u>	<u>(11,000)</u>	<u>(1,186)</u>	<u>(850)</u>
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(34,776)</u>	<u>263,511</u>	<u>90,543</u>	<u>(25,919)</u>	<u>(11,000)</u>	<u>(1,186)</u>	<u>(850)</u>
Cash and investments - beginning	<u>114,212</u>	<u>486,434</u>	<u>517,634</u>	<u>37,152</u>	<u>-</u>	<u>1,186</u>	<u>1,000</u>
Cash and investments - ending	<u>\$ 79,436</u>	<u>\$ 749,945</u>	<u>\$ 608,177</u>	<u>\$ 11,233</u>	<u>\$ (11,000)</u>	<u>\$ -</u>	<u>\$ 150</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 79,436	\$ 749,945	\$ 608,177	\$ 11,233	\$ (11,000)	\$ -	\$ 150
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 79,436</u>	<u>\$ 749,945</u>	<u>\$ 608,177</u>	<u>\$ 11,233</u>	<u>\$ (11,000)</u>	<u>\$ -</u>	<u>\$ 150</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>79,436</u>	<u>749,945</u>	<u>608,177</u>	<u>11,233</u>	<u>(11,000)</u>	<u>-</u>	<u>150</u>
Total cash and investment fund balance - ending	<u>\$ 79,436</u>	<u>\$ 749,945</u>	<u>\$ 608,177</u>	<u>\$ 11,233</u>	<u>\$ (11,000)</u>	<u>\$ -</u>	<u>\$ 150</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Peace Village	Next Leadership Fund	Gifts/Donations	Discovery Alliance	Gifted and Talented	Parkview Donation	Non-English Speaking Program
Receipts:							
Local sources	\$ -	\$ 600	\$ 36,003	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	21,685	-	2,541
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	-	600	36,003	-	21,685	-	2,541
Disbursements:							
Current:							
Instruction	-	-	15,927	-	17,327	2,349	2,827
Support services	-	307	-	-	294	-	-
Community services	-	-	-	1,197	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	-	307	15,927	1,197	17,621	2,349	2,827
Excess (deficiency) of receipts over disbursements	-	293	20,076	(1,197)	4,064	(2,349)	(286)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	293	20,076	(1,197)	4,064	(2,349)	(286)
Cash and investments - beginning	1,317	307	12,288	3,835	1,021	2,349	2,113
Cash and investments - ending	<u>\$ 1,317</u>	<u>\$ 600</u>	<u>\$ 32,364</u>	<u>\$ 2,638</u>	<u>\$ 5,085</u>	<u>\$ -</u>	<u>\$ 1,827</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,317	\$ 600	\$ 32,364	\$ 2,638	\$ 5,085	\$ -	\$ 1,827
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 1,317</u>	<u>\$ 600</u>	<u>\$ 32,364</u>	<u>\$ 2,638</u>	<u>\$ 5,085</u>	<u>\$ -</u>	<u>\$ 1,827</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,317	600	32,364	2,638	5,085	-	1,827
Total cash and investment fund balance - ending	<u>\$ 1,317</u>	<u>\$ 600</u>	<u>\$ 32,364</u>	<u>\$ 2,638</u>	<u>\$ 5,085</u>	<u>\$ -</u>	<u>\$ 1,827</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	School Tech Fund	Buddy System Program	Title I	Title I Part D	ESEA Title V 05-06	ESEA Title V 04-05	Learn and Serve America 04-05
Receipts:							
Local sources	\$ 140,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	500	-	-	-	-	-
Federal sources	-	-	422,428	16,279	2,152	-	2,250
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	140,884	500	422,428	16,279	2,152	-	2,250
Disbursements:							
Current:							
Instruction	3,000	500	299,200	14,357	-	-	6,019
Support services	90,361	-	67,567	1,868	15,979	6,145	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	(348)	43	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	93,361	500	366,419	16,268	15,979	6,145	6,019
Excess (deficiency) of receipts over disbursements	47,523	-	56,009	11	(13,827)	(6,145)	(3,769)
Other financing sources (uses):							
Transfers out	-	-	(7,997)	(370)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	47,523	-	48,012	(359)	(13,827)	(6,145)	(3,769)
Cash and investments - beginning	115,352	-	(18,250)	1,810	17,351	6,145	21,769
Cash and investments - ending	<u>\$ 162,875</u>	<u>\$ -</u>	<u>\$ 29,762</u>	<u>\$ 1,451</u>	<u>\$ 3,524</u>	<u>\$ -</u>	<u>\$ 18,000</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 162,875	\$ -	\$ 29,762	\$ 1,451	\$ 3,524	\$ -	\$ 18,000
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 162,875</u>	<u>\$ -</u>	<u>\$ 29,762</u>	<u>\$ 1,451</u>	<u>\$ 3,524</u>	<u>\$ -</u>	<u>\$ 18,000</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>162,875</u>	<u>-</u>	<u>29,762</u>	<u>1,451</u>	<u>3,524</u>	<u>-</u>	<u>18,000</u>
Total cash and investment fund balance - ending	<u>\$ 162,875</u>	<u>\$ -</u>	<u>\$ 29,762</u>	<u>\$ 1,451</u>	<u>\$ 3,524</u>	<u>\$ -</u>	<u>\$ 18,000</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Learn and Serve America 05-06	Serve and Learn Homeland Security	Points of Lights Program	Star School 03-04	Safe and Drug Free Schools 05-06	Safe and Drug Free School 06-07	Educate America Title II 04-05
Receipts:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	38,597	-	-	-	16,528	55,362	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total receipts	38,597	-	-	-	16,528	55,362	-
Disbursements:							
Current:							
Instruction	4,576	18,465	30,804	8,543	32,800	17,776	11,485
Support services	-	-	-	54	-	-	1,312
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	4,576	18,465	30,804	8,597	32,800	17,776	12,797
Excess (deficiency) of receipts over disbursements	34,021	(18,465)	(30,804)	(8,597)	(16,272)	37,586	(12,797)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	34,021	(18,465)	(30,804)	(8,597)	(16,272)	37,586	(12,797)
Cash and investments - beginning	(4,827)	35,729	34,354	8,597	17,696	-	12,797
Cash and investments - ending	<u>\$ 29,194</u>	<u>\$ 17,264</u>	<u>\$ 3,550</u>	<u>\$ -</u>	<u>\$ 1,424</u>	<u>\$ 37,586</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 29,194	\$ 17,264	\$ 3,550	\$ -	\$ 1,424	\$ 37,586	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 29,194	\$ 17,264	\$ 3,550	\$ -	\$ 1,424	\$ 37,586	\$ -
Cash and Investment Fund Balance - Ending							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>29,194</u>	<u>17,264</u>	<u>3,550</u>	<u>-</u>	<u>1,424</u>	<u>37,586</u>	<u>-</u>
Total cash and investment fund balance - ending	\$ 29,194	\$ 17,264	\$ 3,550	\$ -	\$ 1,424	\$ 37,586	\$ -

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007
 (Continued)

	Enhancing Education Title II 05-06	Enhancing Education Title II 04-05	Language Minority Title III 05-06	Retirement/ Severance Fund	TJM Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 1,513,735	\$ 23,984	\$ 4,145,917
State sources	-	-	-	-	-	237,530
Federal sources	98,663	-	41,890	-	-	1,334,585
Bonds and loans	-	-	-	725,500	-	725,500
Sale of property, adjustments and refunds	-	-	-	-	2,344	5,151
Interfund loans	-	-	-	1,499,376	-	1,499,376
Total receipts	98,663	-	41,890	3,738,611	26,328	7,948,059
Disbursements:						
Current:						
Instruction	102,849	-	24,197	-	-	651,666
Support services	30,859	5,392	1,098	-	25,692	2,986,743
Community services	-	-	-	-	-	1,197
Nonprogrammed charges	-	-	-	-	-	227,650
Debt services	-	-	-	1,657,735	-	1,657,735
Interfund loans	-	-	-	1,499,376	-	1,499,376
Total disbursements	133,708	5,392	25,295	3,157,111	25,692	7,024,367
Excess (deficiency) of receipts over disbursements	(35,045)	(5,392)	16,595	581,500	636	923,692
Other financing sources (uses):						
Transfers out	-	-	-	-	-	(8,367)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(35,045)	(5,392)	16,595	581,500	636	915,325
Cash and investments - beginning	3,823	5,392	9,394	101,902	435,475	1,985,357
Cash and investments - ending	<u>\$ (31,222)</u>	<u>\$ -</u>	<u>\$ 25,989</u>	<u>\$ 683,402</u>	<u>\$ 436,111</u>	<u>\$ 2,900,682</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ (31,222)	\$ -	\$ 25,989	\$ -	\$ 436,111	\$ 2,217,280
Restricted assets:						
Cash and investments	-	-	-	683,402	-	683,402
Total cash and investment assets - ending	<u>\$ (31,222)</u>	<u>\$ -</u>	<u>\$ 25,989</u>	<u>\$ 683,402</u>	<u>\$ 436,111</u>	<u>\$ 2,900,682</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 683,402	\$ -	\$ 683,402
Unrestricted	(31,222)	-	25,989	-	436,111	2,217,280
Total cash and investment fund balance - ending	<u>\$ (31,222)</u>	<u>\$ -</u>	<u>\$ 25,989</u>	<u>\$ 683,402</u>	<u>\$ 436,111</u>	<u>\$ 2,900,682</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES -CASH AND INVESTMENTS BASIS
 INTERNAL SERVICE FUNDS
 For the Year Ended June 30, 2006

	<u>Self-Insurance Dental</u>	<u>Self-Insurance Health</u>	<u>Totals</u>
Operating receipts:			
Miscellaneous	\$ 172,329	\$ 4,548,895	\$ 4,721,224
Operating disbursements:			
Insurance claims and expense	<u>210,666</u>	<u>3,619,328</u>	<u>3,829,994</u>
Excess (deficiency) of operating receipts over operating disbursements	(38,337)	929,567	891,230
Transfers out	<u>-</u>	<u>(3,158)</u>	<u>(3,158)</u>
Change in net assets	(38,337)	926,409	888,072
Cash and investment fund balance - beginning	<u>145,378</u>	<u>2,286,189</u>	<u>2,431,567</u>
Cash and investment fund balance - ending	<u>\$ 107,041</u>	<u>\$ 3,212,598</u>	<u>\$ 3,319,639</u>
<u>Cash and Investment Assets - Ending</u>			
Restricted assets:			
Cash and investments	<u>\$ 107,041</u>	<u>\$ 3,212,598</u>	<u>\$ 3,319,639</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Restricted for:			
Other purposes	<u>\$ 107,041</u>	<u>\$ 3,212,598</u>	<u>\$ 3,319,639</u>

VALPARAISO COMMUNITY SCHOOLS
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES -CASH AND INVESTMENTS BASIS
 INTERNAL SERVICE FUNDS
 For the Year Ended June 30, 2007

	<u>Self-Insurance Dental</u>	<u>Self-Insurance Health</u>	<u>Totals</u>
Operating receipts:			
Miscellaneous	\$ 188,588	\$ 4,612,236	\$ 4,800,824
Operating disbursements:			
Insurance claims and expense	<u>207,967</u>	<u>4,089,749</u>	<u>4,297,716</u>
Change in net assets	<u>(19,379)</u>	<u>522,487</u>	<u>503,108</u>
Cash and investment fund balance - beginning	<u>107,041</u>	<u>3,212,598</u>	<u>3,319,639</u>
Cash and investment fund balance - ending	<u>\$ 87,662</u>	<u>\$ 3,735,085</u>	<u>\$ 3,822,747</u>
<u>Cash and Investment Assets - Ending</u>			
Restricted assets:			
Cash and investments	<u>\$ 87,662</u>	<u>\$ 3,735,085</u>	<u>\$ 3,822,747</u>
<u>Cash and Investment Fund Balance - Ending</u>			
Restricted for:			
Other purposes	<u>\$ 87,662</u>	<u>\$ 3,735,085</u>	<u>\$ 3,822,747</u>

VALPARAISO COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 7,952,928
Buildings	99,256,179
Improvements other than buildings	3,118,013
Machinery and equipment	<u>6,954,209</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 117,281,329</u>

VALPARAISO COMMUNITY SCHOOLS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Multi Schools Corporation	\$ 31,147,157	\$ 6,105,000
Middle School Building Corporation	41,766,763	3,500,000
Notes and loans payable:		
Interlocal Note	646,225	167,958
Textbook Notes	169,819	89,564
Bonds payable:		
General obligation bonds:		
2002 Pension Retirement Bonds	5,225,000	920,444
2005 Pension Retirement Bonds	<u>13,210,000</u>	<u>751,754</u>
Total governmental activities debt	<u>\$ 92,164,964</u>	<u>\$ 11,534,720</u>

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal by a notice received from the bank stating the amount of interest added to the investment.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2006.

The enrollment count dates for 2005-2006 was September 16, 2005. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2005-2006	Kindergarten	215.5	215.5	0
2005-2006	1 Through 12	5,779.84	5,781.84	(2)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

TRANSFER TUITION

The School Corporation accepts transfer students upon request. These students are required to pay transfer tuition in an amount determined under an established formula. The School Corporation did calculate the required tuition using the established formula and the prescribed Form 515, Transfer Tuition Statement. However, the School Corporation did not charge the students according to the formula. The School Corporation adopted on June 24, 2003, a "Home Rule Resolution" which established the fees for transfer tuition. A similar comment appeared in prior reports.

Indiana Code 20-26-11-6(b) states in part: "A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established . . ."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

INTERLOCAL RETIREMENT BUYOUT LOAN

The School Corporation is a member of the Porter County Education Services (Interlocal). A loan was obtained by the Interlocal for certain member's share of a retirement buyout for teachers and administrators. Valparaiso Community Schools is responsible for paying \$718,028 of the loan to the Interlocal. The first payment made on June 19, 2007, of \$74,827 was paid from the General Fund. The School Corporation did not reduce the total property tax levy or establish a separate debt service fund for repayment.

Indiana Code 20-48-1-2(c) states in part:

- "(5) Each year that a debt service levy is needed under this section, the school corporation shall reduce the total property tax levy for the school corporation's transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, in an amount equal to the property tax levy needed for the debt service under this section. The property tax rate for each of these funds shall be reduced each year until the bonds are retired.

- (6) The school corporation shall establish a separate debt service fund for repayment of the bonds issued under this section."

INTERNAL CONTROLS - FOOD SERVICE

Controls over the receipting, disbursing, recording, and accounting for the financial activities of the food service activity were insufficient. The bookkeeper for the cafeteria account writes and signs checks, posts all items to the ledger, maintains all unused checks, and reconciles the bank account. Due to the lack of segregation of duties, there is a deficiency of internal controls.

Students have the option to pay for meals in advance, rather than at the point of sale. Receipts are not issued for money collected unless requested and a generic receipt is then issued. A single copy unnumbered prepayment form is prepared by each student when payment is being made and handed to the cashier with the payment, as a result, accountability for school lunch revenue could not be substantiated.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines for School Corporations, Chapter 9)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

RECONCILIATION OF MONIES HELD IN TRUST

The School Corporation uses a computer program to account for meal sales and money held on account for advance payments of meals and cash. A control ledger of daily activities for prepayment is not maintained in the detail ledger to ensure the accuracy of the computer output. Reconciliations of the amounts held in trust were not performed from month to month to the record balance.

Subsidiary records by student should be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized forms will be required to be maintained to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 3)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 7)

EXTRA-CURRICULAR ACTIVITY (ECA) DEPOSITS (Applies to Ben Franklin Middle, Memorial Elementary, and Flint Lake Elementary Schools)

Collections for athletic events at Ben Franklin Middle School were not always deposited within a reasonable time. Multiple collections for a similar type of an athletic event would be held and receipted together. Collections, in some instances, were held for periods in excess of 20 days before being receipted and deposited.

Collections at Memorial and Flint Lake Elementary Schools were not always deposited within a reasonable time. Some textbook rental collections were held for periods in excess of 15 to 51 days, and some ECA receipts were held for periods in excess of 7 to 10 days before being deposited.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

MEMORIAL FUND (Applies to Thomas Jefferson Middle School)

Thomas Jefferson Middle School maintains a memorial savings account and a certificate of deposit investment that has not been recorded in the extra-curricular ledger, in an investment register or the annual report. The savings account and certificate of deposit totaled \$17,428.98 as of June 30, 2007. The account uses the School Corporation tax identification number and the Principal is the sole signatory on the account. A similar comment appeared in the prior two reports.

The extra-curricular treasurer is required to keep an accurate account of all money received and expended, showing the source of each receipt, the purpose of each disbursement and the overall balance on hand, which is the control account for all of the activity funds. A separate fund must be maintained in the ledger to record the transactions of each class, organization or activity so that the balance in each fund may be known at all times. The money in the "School Extra-Curricular Account" may be invested under the conditions specified in IC 5-13 for investment of corporation money; however, investments under the section are at the discretion of the principal. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

ECA EDUCATIONAL FEES (Applies to Central, Cooks Corners, Flint Lake, Hayes Leonard, Memorial, Northview, Parkview, Ben Franklin Middle, Thomas Jefferson Middle, and Valparaiso High School)

Some educational fees (such as library fines and lost library books) were being receipted to and retained in an extra-curricular fund at various elementary and middle schools. The High School collects fees for student IDs, transcripts, parking permits, parking violations, and library fines and lost books fees, which are kept in various extra-curricular funds.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

CREDIT CARDS (Applies to Valparaiso High School)

The Athletic Department uses a credit card for travel and purchases. Late fees and penalties totaling \$143.07 were paid by the Athletic Department in 2006 and 2007 for late credit card payments. The credit card statements reviewed did not have all the receipts available for audit. Some meal receipts were only supported by charge slips and lacked itemized receipts.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

ECA PURCHASE OF EQUIPMENT (Applies to Ben Franklin Middle, and Valparaiso High School)

A disbursement of \$9,213 was made from the Student Council Fund at Ben Franklin Middle School in the 2006-2007 school year for equipment (a public announcement system). At the High School, a lap top computer was purchased in April 2007 for \$2,144 from the Student ID Cards Fund. A review of the School Board minutes did not reveal authorization for the purchases.

Indiana Code 20-26-5-4 states in part: "In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers . . . acquire personal property or any interest therein as the governing body deems necessary for school purposes . . ." Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

CASH DISBURSEMENTS (Applies to Thomas Jefferson Middle School)

Disbursements were not always made by check. A check was made payable to the Thomas Jefferson Middle School in March 2007, cashed from collections on hand and deposited into the extra-curricular bank account, and the cash was used to pay students for working at an event.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PAYMENTS TO EMPLOYEES FROM EXTRA-CURRICULAR ACTIVITY FUNDS
(Applies to Thomas Jefferson Middle, and Valparaiso High School)

Payments to School Corporation employees (principal, teachers, guidance counselors) working at extra-curricular activity (ECA) events were made by purchase order and vendor check rather than through a payroll system.

Pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

DISBURSEMENT DOCUMENTATION (Applies to Memorial Elementary,
Parkview Elementary, and Thomas Jefferson Middle School)

At Memorial Elementary School, several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

At Thomas Jefferson Middle School, payments for concession supplies and other purchases were observed which did not contain adequate supporting documentation such as invoices. Thirteen of seventeen concession fund payments in the 2006-2007 school year were made from statements only, and lacked detailed invoices to support the purchases made.

At Parkview Elementary, payments for a vending machine were made from a statement only, and lacked detailed invoices to support the purchases made.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

FUND SOURCES AND USES (Applies to Porter County Career Center)

Funds were disbursed from General Fund for luncheons, breakfast and snacks for administration meetings amounting to \$957.24 in 2006-2007.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trips which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transaction (the revenues are primarily from students or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of a school corporation which would provide that a general fund does not exist and that money from these type of functions be used to offset the cost of the function (reduced prices of vending machine items, reduce the costs of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

USE OF FORM SA-5, FINANCIAL REPORT (Applies to Valparaiso High School,
Porter County Career Center, and Northview Elementary School)

Valparaiso High School:

1. Financial Reports (Forms SA5-1 to SA5-4) were not filed with the Superintendent's office.

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

2. The Detail of Receipts and Expenditures by Fund (Form SA5-3) prepared by the School does not provide the ending balance of a fund.
3. Form SA5-3, only provided totals for three of the athletic funds. The receipts and expenditures are not grouped by source or purpose. Due to the method of recordkeeping for these three funds, additional procedures were required to explain fluctuations in financial activity.

Porter County Career Center:

1. The subsidiary ledger by fund did not agree to the control ledger. The control ledger balance at May 31, 2007, was \$51,172.60, which balanced to the bank balance. However, the subsidiary ledger's balance by fund was \$50,590.65, resulting in a difference of \$581.95 between the two ledgers. There were instances of posting errors on the subsidiary ledger.
2. The 2005-2006 school year beginning balance by fund did not agree to the ending balances in 2004-2005 because transfers were made between funds and this activity was not included in the financial reports but was included in the ledgers.

Northview Elementary School:

1. The ledger and prior audit documentation reflect a balance in an Art Fund of \$181.51 at June 30, 2005. The Art Fund was not presented on the Financial Report (SA-5) and the beginning balance for the Art Fund was not included in the balance for all funds at July 1, 2005.
2. The ledger and prior audit documentation reflect a balance in an Interest Fund of \$52.48. The Interest Fund was not listed as a separate fund on the SA-5. The beginning amount was included in the balance of the Miscellaneous Fund at July 1, 2005.
3. The ledger reflects activity in a Transportation Fund which was not listed on the SA-5.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

USE OF FORM SA-6, EXTRA-CURRICULAR LEDGER (Applies to Thomas Jefferson Middle School)

The Extra-Curricular Account Treasurer does not use Form SA-6, Ledger, to maintain a control or fund ledger. The Treasurer uses Microsoft Works software to maintain the ledgers.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL RECEIPTS – FORM TBR-2 (Applies to Thomas Jefferson Elementary School)

Textbook Rental Receipts (TBR-2) were not prenumbered. Receipts 1-126 for school year 2005-2006 and receipts 127-300 for school year 2006-2007 were hand-numbered.

Form TBR-2, Official Receipt - Individual Textbook Rental List, is to be prenumbered and printed in triplicate. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

INTERNAL CONTROLS-TEXTBOOK RENTAL RECEIPTS (Applies to Cooks Corner, Northview, and Thomas Jefferson Elementary Schools)

Controls for textbook rental receipts are insufficient. The amount and composition of the textbook rental receipts verify to the amount and composition of the extra-curricular receipts. However, the textbook rental receipts could not be traced to the extra-curricular receipts individually.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TEXTBOOK AND EXTRA-CURRICULAR RECEIPTS (Applies to Parkview Elementary School)

Extra-curricular receipts are being written in groups instead of when the money is collected. Four receipts or instance, were written on May 9, 2007. The next six receipts were written on May 29th, the next three receipts were written on June 6th and 7th and next six were written on June 12th.

The extra-curricular receipt did not specify which textbook rental receipts were included in the extra-curricular receipt. Receipts were deposited up to 21 days after collection during registration, which is when most of the money is collected for textbooks. The composition of the textbook rental collections was not always marked cash or check on the receipt.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE VALPARAISO COMMUNITY SCHOOLS, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Valparaiso Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-3.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan section of the report. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 4, 2007

VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY 2005-2006	\$ 71,752	\$ -
		FY 2006-2007	-	110,832
National School Lunch Program	10.555	FY 2005-2006	514,766	-
		FY 2006-2007	-	548,269
Total for federal grantor agency			<u>586,518</u>	<u>659,101</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I Grants to Local Educational Agencies				
Basic	84.010	FY 2004-2005	29,628	-
		FY 2005-2006	354,551	-
		FY 2006-2007	-	374,416
Delinquent		FY 2004-2005	2,686	-
		FY 2005-2006	6,023	-
		FY 2006-2007	-	16,639
Total for program			<u>392,888</u>	<u>391,055</u>
Safe and Drug Free Schools and Communities-State Grants				
Title IV, Part A, Subpart 1 of ESEA	84.186	FY 2003-2004	-	17,776
		FY 2004-2005	13,645	-
		FY 2005-2006	979	32,800
Total for program			<u>14,624</u>	<u>50,576</u>
State Grants for Innovative Programs				
Title V of ESEA	84.298	FY 2003-2004	6,166	-
		FY 2004-2005	18,170	6,145
		FY 2005-2006	-	15,979
Total for program			<u>24,336</u>	<u>22,124</u>
Technology Literacy Challenge Fund Grants				
Title II, Part D, Improving Teacher Quality	84.318	FY 2004-2006	1,167	5,392
		FY 2005-2007	68,904	133,708
Total for program			<u>70,071</u>	<u>139,100</u>
English Language Acquisition Grants				
Title III	84.365	FY 2005-2006	23,742	25,294
Improving Teacher Quality State Grants				
Title II, Part A	84.367	FY 2003-2004	3,472	-
		FY 2004-2005	92,069	12,797
Total for program			<u>95,541</u>	<u>12,797</u>
Hurricane Education Recovery				
Hurricane Katrina and Hurricane Rita Relief	84.938	FY 2005-2006	1,500	-
Total for federal grantor agency			<u>622,702</u>	<u>640,946</u>
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Pass-Through Indiana Department of Education				
Learn and Serve America - Schools and Community Based Programs				
	94.004	FY 2003-2004	274	-
		FY 2004-2005	8,141	4,576
		FY 2005-2006	24,537	6,019
Service Learning		FY 2003-2004	24,537	-
Star Schools		FY 2003-2004	-	8,597
Homeland Security		FY 2004-2005	50,375	-
Homeland Security		FY 2005-2006	-	18,465
Total for federal grantor agency			<u>107,864</u>	<u>37,657</u>
Total federal awards expended			<u>\$ 1,317,084</u>	<u>\$ 1,337,704</u>

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

VALPARAISO COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Valparaiso Community School Corporation (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2006	2007
Child Nutrition Cluster	\$ 98,089	\$ 92,965

VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2007-1, INTERNAL CONTROLS - FOOD SERVICE

Controls over the receipting, disbursing, recording, and accounting for the financial activities of the food service activity were insufficient. The bookkeeper for the cafeteria account writes and signs checks, posts all items to the ledger, maintains all unused checks, and reconciles the bank account. Due to this lack of segregation of duties, there is a deficiency of internal controls.

Students have the option to pay for meals in advance, rather than at the point of sale. Receipts are not issued for money collected unless requested and a generic receipt is then issued. A single copy, unnumbered prepayment form is prepared by each student when payment is being made and handed to the cashier with the payment, as a result, accountability for school lunch revenue could not be substantiated.

VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines for School Corporations, Chapter 9)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We recommended that a prescribed or approved receipt be issued for payments received for meals sold in advance and segregation of duties should be reviewed.

FINDING 2007-2. RECONCILIATION OF MONIES HELD IN TRUST

The School Corporation uses a computer program to account for meal sales and money held on account for advance payments of meals and cash. A control ledger of daily activities for prepayment is not maintained in the detail ledger to ensure the accuracy of the computer output. Reconciliations of the amounts held in trust were not performed from month to month to the record balance. The lack of control weakens internal controls over the prepaid trust account where errors can go undetected.

Subsidiary records by student should be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized forms will be required to be maintained in the following manner to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 3)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines for Extra-Curricular Accounts, Chapter 7)

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers preprinted on the form. If the application system prints other numbers on the form (document control numbers) adequate security must be implemented to prevent unauthorized modification of the number sequence. Individuals responsible for computer processing of receipts or payment documents must not have access to the storage locations of these documents. Receipt and payment documents must not include preprinted signatures. All output reports must clearly indicate the effective dates of the information regardless of when the report is generated. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines for School Corporations, Chapter 10)

We recommended that the School Corporation begin maintaining a control of prepaid activity and performing monthly reconciliations of student account balances held in trust to the cash balance to ensure that system is properly accumulating and reporting trust account balances.

VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-3, CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Pass-Through Entity: Indiana Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Numbers: 84.010

The School Corporation maintained cash balances in excess of current needs. Month ending cash balances for the period July 1, 2005 to June 30, 2007, exceeded the following month's disbursements for 19 out of 24 months tested for the Title I Grant.

EDGAR 80.20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

We recommended that the School Corporation design a system for budgeting cash needs. Officials should monitor procedures and review cash balances to ensure that federal funds are requested as needed.

VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building
3801 North Campbell Street
Valparaiso, Indiana 46385

Telephone: (219) 531-3000
FAX: (219) 531-3009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2005-1

Original SBA Audit Report Number: B26380

Fiscal Year: July 1, 2003 – June 30, 2004
July 1, 2004 – June 30, 2005

Audit Contact Person: Joanne Boyer

Title of Contact Person: Treasurer

Phone Number: (219) 531-3000

Status of Filing: See Title I Administrator's Response.

Signed: Joanne Boyer

Date: December 4, 2007

VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building
3801 North Campbell Street
Valparaiso, Indiana 46385

Telephone: (219) 531-3000

FAX: (219) 531-3009

Valparaiso Community Schools October 15, 2007 Summary of Prior Audit Findings

Finding No. 2005-1 Cash Management

Program: Title I
Audit Report Number: #B26380
Federal Award Numbers: Basic Grant FY 2003-04
Basic Grant FY 2004-05
Pass Through Entity: Indiana Department of Education
Audited Contact Person: George Vrabel, Ass't Superintendent Elementary Education
Phone Number: 219-531-3000

1. The Title I grant for the 2003-04 school year totaled \$407,326.00. Due to a drop in the Census Poverty number below 5%, the Valparaiso Community Schools allocation dropped to \$277,015.00 for the 2004-2005 and to \$269,713.00 for 2005-06. This significant loss of revenue caused the reduction of the Title I remediation program by over two regular full time equivalent teachers. In addition, only essential purchases were permitted in order to create a carryover for the next school year. We were making every effort to maintain our existing programs. This practice caused the "month end cash balance" citation in December 21, 2005.
2. We have implemented the following:
 - a. We have monitored the balances of Title I funds since the last audit.
 - b. With a stable Census Poverty Number above 5%, the Valparaiso Schools have added one remedial Reading teacher to the program. In addition, two Home School Advisors have been added to the program for 2007-08.
 - c. The additional staff, noted above, will greatly reduce the potential for a large carry over at the end of the year.
 - d. The administrative assistant for curriculum has been given the responsibility to monitor all Title I funds to help insure accurate supervision of these accounts.
3. With the steps noted above, we are confident that this audit concern can be eliminated in future audits.

Signed:



Dr. George Vrabel, Ass't. Supt. Elementary Education

Date:

10-15-07

VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building
3801 North Campbell Street
Valparaiso, Indiana 46385

Telephone: (219) 531-3000
FAX: (219) 531-3009

CORRECTIVE ACTION PLAN

Finding Number 2007-1, Internal Controls

Finding Number 2007-2, Reconciliation of Monies in Trust

Finding Number 2007-3, Cash Management

Fiscal Year: July 1, 2005 – June 30, 2006
July 1, 2006 – June 30, 2007

Audit Contact Person: Joanne Boyer

Title of Contact Person: Treasurer

Phone Number: (219) 531-3000

Status of Filing: See Food Service Director's Response
See Title I Administrator's Response

Signed: Joanne Boyer

Date: December 4, 2007

VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building
3801 North Campbell Street
Valparaiso, Indiana 46385

Telephone: (219) 531-3000

FAX: (219) 531-3009

Corrective Action Plan

Fiscal Year	July 1, 2006- June 30, 2007
Audit Contact Person	Cindy Licciardone
Title of Contact Person	Food Service Director
Phone Number	219-531-3120

Finding Number 2007-1, Internal Controls

Accounting activities of disbursing, receipting and recording will be segregated. An additional control sheet for recording these activities will be implemented. Food Service Director will review these reports monthly to ensure reliability of the financial records.

An electronic receipt printer will be installed to enable a receipt to be issued when advanced payments are made to meal accounts.

Finding Number 2007-2, Reconciliation of Monies In Trust

The computer meal program generates a daily report of prepaid activity of student accounts and the money taken out of accounts for purchases. The money left in accounts is the balance of "Prepaid Food in Trust". We will implement School Form SF-4. This control sheet will be added to the ledger to record daily activity of monies to strengthen internal controls of revenues that reconcile with the monthly bank balance.

 11-28-07

Cindy Licciardone, FSD

VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building
3801 North Campbell Street
Valparaiso, Indiana 46385

Telephone: (219) 531-3000
FAX: (219) 531-3009

Valparaiso Community Schools Corrective Action Plan

Finding No. 2007-3 Cash Management

Federal Agency: Department of Education

Federal Program: Title I

CFDA Numbers: 84.010

Federal Award Numbers: Basic Grant FY 2005-06

Basic Grant FY 2006-07

Pass Through Entity: Indiana Department of Education

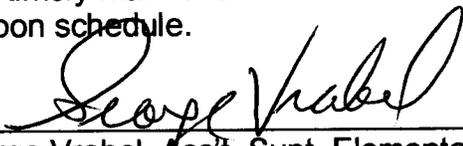
Audited Contact Person: Dr. George Vrabel

Phone Number: 219-531-3000

The following steps will be implemented to correct the "month end cash balances" citation indicated.

- The Valparaiso Schools will:
 - Closely monitor the cash balances in the Title I account on a monthly basis.
 - Create a process where the expenditures for the month closely match the cash available.
 - Contact the Title I office in Indianapolis and reduce the "cash request" when the cash balance in this account is high.
 - Communicate with the business manager of Title I in Indianapolis, Hazel Beasley, to ask for assistance in making the appropriate adjustment to the cash requests.
 - Maintain close communication with the Porter County Juvenile Detention director, Mr. Ken Perkins, to insure that appropriate instructional aides are hired in a timely manner and that the instructional aides adhere to the agreed upon schedule.

Signed:


Dr. George Vrabel, Ass't. Supt. Elementary Education

Date:

11-9-07

VALPARAISO COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2007, with Dr. Michael P. Benway, Superintendent of Schools; Joanne Boyer, Treasurer; H. Stephen Hewlett, Assistant Superintendent for Business; and David M. White, Assistant Superintendent. The officials concurred with our audit findings.