

**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, 2007 to June 30, 2009



**FILED**  
02/04/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
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 .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9-10
Proprietary Fund:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund .....	11-12
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds .....	13-14
Notes to Financial Statements .....	15-27
Required Supplementary Information:	
Schedule of Funding Progress .....	28
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds .....	29-37
Schedule of Capital Assets .....	38
Schedule of Long-Term Debt .....	39
Audit Results and Comments:	
Interest on Investments .....	40
Retirement Buyout Loan .....	40-41
Internal Controls – Food Service Receipts .....	41
Internal Controls – Receipts and Cash and Investment Balances .....	41-42
Deposits of Athletic Receipts .....	42
Bank Reconcilements .....	42
Supplemental Audit of Federal Awards:	
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 .....	44-45
Schedule of Expenditures of Federal Awards .....	46
Notes to Schedule of Expenditures of Federal Awards .....	47
Schedule of Findings and Questioned Costs .....	48-50
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	51
Corrective Action Plan .....	52-53
Exit Conference .....	54

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joanne Boyer Joyce Nicholas	07-01-07 to 08-01-09 08-02-09 to 06-30-10
Superintendent of Schools	Dr. Michael P. Benway	07-01-07 to 06-30-10
President of the School Board	Mark Schmidtke Dr. James Bernard Mary Idstein	07-01-07 to 06-30-08 07-01-08 to 06-30-09 07-01-09 to 06-30-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT 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, 2008 and 2009, 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 pre-scribed 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, 2008 and 2009, 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 8, 2009, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 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.

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 Schedule, 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 Schedule, as listed in the Table of Contents, 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. 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 8, 2009



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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 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, 2008 and 2009, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated December 8, 2009. 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 2009-1 and 2009-2 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 item 2009-1 to be a material weakness.

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.

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, the School Board of Trustees, 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 8, 2009

VALPARAISO COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<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	\$ 26,801,688	\$ -	\$ 206,451	\$ (26,595,237)
Support services	15,351,923	2,052,077	593,127	(12,706,719)
Noninstructional services	3,038,045	-	-	(3,038,045)
Facilities acquisition and construction	4,118,230	-	-	(4,118,230)
Debt service	12,133,317	-	-	(12,133,317)
Temporary loans	9,394,600	-	-	(9,394,600)
Nonprogrammed charges	<u>2,468,700</u>	<u>-</u>	<u>-</u>	<u>(2,468,700)</u>
Total governmental activities	<u>\$ 73,306,503</u>	<u>\$ 2,052,077</u>	<u>\$ 799,578</u>	<u>(70,454,848)</u>
General receipts:				
Property taxes				32,662,884
Other local sources				5,494,496
State aid				17,948,734
Temporary loans				13,402,500
Grants and contributions not restricted to specific programs				1,053,308
Sale of property				649,212
Investment earnings				615,408
Other				<u>31,994</u>
Total general receipts				<u>71,858,536</u>
Change in net assets				1,403,688
Net assets - beginning				<u>17,350,493</u>
Net assets - ending				<u>\$ 18,754,181</u>
<u>Assets</u>				
Cash and investments				\$ 9,389,875
Restricted assets:				
Cash and investments				<u>9,364,306</u>
Total assets				<u>\$ 18,754,181</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 5,004,801
Other purposes				4,359,505
Unrestricted				<u>9,389,875</u>
Total net assets				<u>\$ 18,754,181</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, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Totals</u>
		Charges for Services	Operating Grants and Contributions	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 24,744,003	\$ -	\$ 203,280	\$ (24,540,723)
Support services	16,686,260	2,079,431	816,146	(13,790,683)
Noninstructional services	3,585,297	-	-	(3,585,297)
Facilities acquisition and construction	5,383,910	-	-	(5,383,910)
Debt service	11,304,978	-	-	(11,304,978)
Temporary loans	16,455,000	-	-	(16,455,000)
Nonprogrammed charges	2,621,759	-	-	(2,621,759)
<u>Total governmental activities</u>	<u>\$ 80,781,207</u>	<u>\$ 2,079,431</u>	<u>\$ 1,019,426</u>	<u>(77,682,350)</u>
General receipts:				
Property taxes				36,673,156
Other local sources				6,392,182
State aid				20,558,285
Temporary loans				6,700,000
Grants and contributions not restricted to specific programs				4,070,439
Investment earnings				207,701
Other				24,405
<u>Total general receipts</u>				<u>74,626,168</u>
Change in net assets				(3,056,182)
Net assets - beginning				18,754,181
<u>Net assets - ending</u>				<u>\$ 15,697,999</u>
<u>Assets</u>				
Cash and investments				\$ 7,527,405
Restricted assets:				
Cash and investments				8,170,594
<u>Total assets</u>				<u>\$ 15,697,999</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 2,698,174
Other purposes				5,472,420
Unrestricted				7,527,405
<u>Total net assets</u>				<u>\$ 15,697,999</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, 2008

	General	Transportation Operating	Rainy Day	Cafeteria	Debt Service	Capital Projects	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 16,375,785	\$ 2,824,241	\$ 1,312,030	\$ 1,822,285	\$ 9,312,892	\$ 6,175,733	\$ 2,848,864	\$ 40,671,830
Intermediate sources	2,319	-	-	-	-	-	-	2,319
State sources	18,079,894	-	-	39,074	-	-	248,817	18,367,785
Federal sources	-	-	-	554,053	-	-	879,782	1,433,835
Temporary loans	7,990,000	-	-	-	4,652,500	-	760,000	13,402,500
Interfund loans	5,000,000	-	-	-	-	2,750,000	6,750,000	14,500,000
Other	8,187	-	-	-	-	-	23,807	31,994
<b>Total receipts</b>	<b>47,456,185</b>	<b>2,824,241</b>	<b>1,312,030</b>	<b>2,415,412</b>	<b>13,965,392</b>	<b>8,925,733</b>	<b>11,511,270</b>	<b>88,410,263</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	24,564,727	-	1,594,728	-	-	-	1,028,276	27,187,731
Support services	9,812,413	2,794,766	-	-	-	1,313,148	1,431,596	15,351,923
Noninstructional services	650,724	-	-	2,386,460	-	-	861	3,038,045
Facilities acquisition and construction	-	-	-	-	-	4,106,520	11,710	4,118,230
Debt services	-	-	-	-	10,461,119	-	1,672,198	12,133,317
Temporary loans	7,718,000	-	-	-	951,100	-	725,500	9,394,600
Interfund loans	5,000,000	-	1,500,000	-	-	1,500,000	6,500,000	14,500,000
Nonprogrammed charges	2,273,386	-	-	-	-	-	195,314	2,468,700
<b>Total disbursements</b>	<b>50,019,250</b>	<b>2,794,766</b>	<b>3,094,728</b>	<b>2,386,460</b>	<b>11,412,219</b>	<b>6,919,668</b>	<b>11,565,455</b>	<b>88,192,546</b>
Excess (deficiency) of receipts over disbursements	(2,563,065)	29,475	(1,782,698)	28,952	2,553,173	2,006,065	(54,185)	217,717
<b>Other financing sources (uses):</b>								
Sale of capital assets	647,278	1,564	-	-	-	370	-	649,212
Transfers in	-	-	2,000,000	-	-	-	-	2,000,000
Transfers out	-	-	-	-	-	(2,000,000)	-	(2,000,000)
<b>Total other financing sources (uses)</b>	<b>647,278</b>	<b>1,564</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>(1,999,630)</b>	<b>-</b>	<b>649,212</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,915,787)	31,039	217,302	28,952	2,553,173	6,435	(54,185)	866,929
Cash and investments - beginning	4,085,722	961,619	1,833,525	749,946	1,692,786	1,815,430	2,388,719	13,527,747
Cash and investments - ending	\$ 2,169,935	\$ 992,658	\$ 2,050,827	\$ 778,898	\$ 4,245,959	\$ 1,821,865	\$ 2,334,534	14,394,676
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.								
								4,359,505
Net assets of governmental activities								\$ 18,754,181
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 2,169,935	\$ 992,658	\$ 2,050,827	\$ 778,898	\$ -	\$ 1,821,865	\$ 1,575,692	\$ 9,389,875
Restricted assets:								
Cash and investments	-	-	-	-	4,245,959	-	758,842	5,004,801
<b>Total cash and investment assets - ending</b>	<b>\$ 2,169,935</b>	<b>\$ 992,658</b>	<b>\$ 2,050,827</b>	<b>\$ 778,898</b>	<b>\$ 4,245,959</b>	<b>\$ 1,821,865</b>	<b>\$ 2,334,534</b>	<b>\$ 14,394,676</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 4,245,959	\$ -	\$ 758,842	\$ 5,004,801
Unrestricted	2,169,935	992,658	2,050,827	778,898	-	1,821,865	1,575,692	9,389,875
<b>Total cash and investment fund balance - ending</b>	<b>\$ 2,169,935</b>	<b>\$ 992,658</b>	<b>\$ 2,050,827</b>	<b>\$ 778,898</b>	<b>\$ 4,245,959</b>	<b>\$ 1,821,865</b>	<b>\$ 2,334,534</b>	<b>\$ 14,394,676</b>

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, 2009

	General	Transportation Operating	Rainy Day	Cafeteria	Fiscal Stabilization	Debt Service	Capital Projects	Other	Totals
<b>Receipts:</b>									
Local sources	\$ 21,305,258	\$ 3,053,403	\$ -	\$ 1,958,602	\$ -	\$ 9,928,426	\$ 6,287,914	\$ 2,775,993	\$ 45,309,596
State sources	20,688,458	-	-	-	-	-	-	275,963	20,964,421
Federal sources	-	-	-	815,946	2,976,332	-	-	891,451	4,683,729
Temporary loans	2,000,000	-	-	-	-	4,700,000	-	-	6,700,000
Interfund loans	-	-	1,250,000	-	-	-	-	-	1,250,000
Other	24,405	-	-	-	-	-	-	-	24,405
<b>Total receipts</b>	<b>44,018,121</b>	<b>3,053,403</b>	<b>1,250,000</b>	<b>2,774,548</b>	<b>2,976,332</b>	<b>14,628,426</b>	<b>6,287,914</b>	<b>3,943,407</b>	<b>78,932,151</b>
<b>Disbursements:</b>									
<b>Current:</b>									
Instruction	24,367,413	-	-	-	552,384	-	-	894,247	25,814,044
Support services	11,099,767	2,656,496	-	-	-	-	1,643,459	1,286,538	16,686,260
Noninstructional services	1,000,520	-	-	2,490,986	-	-	-	93,791	3,585,297
Facilities acquisition and construction	-	-	-	-	-	-	5,383,910	-	5,383,910
Debt services	-	-	-	-	-	9,675,892	-	1,629,086	11,304,978
Temporary loans	7,990,000	-	-	-	-	7,705,000	-	760,000	16,455,000
Interfund loans	-	-	-	-	-	-	1,250,000	-	1,250,000
Nonprogrammed charges	2,323,679	-	-	-	-	-	-	298,080	2,621,759
<b>Total disbursements</b>	<b>46,781,379</b>	<b>2,656,496</b>	<b>-</b>	<b>2,490,986</b>	<b>552,384</b>	<b>17,380,892</b>	<b>8,277,369</b>	<b>4,961,742</b>	<b>83,101,248</b>
Excess (deficiency) of receipts over disbursements	(2,763,258)	396,907	1,250,000	283,562	2,423,948	(2,752,466)	(1,989,455)	(1,018,335)	(4,169,097)
<b>Other financing sources (uses):</b>									
Transfers in	803,794	-	250,000	-	-	1,204,524	200,000	274,000	2,732,318
Transfers out	-	-	(2,482,318)	-	-	-	-	(250,000)	(2,732,318)
<b>Total other financing sources (uses)</b>	<b>803,794</b>	<b>-</b>	<b>(2,232,318)</b>	<b>-</b>	<b>-</b>	<b>1,204,524</b>	<b>200,000</b>	<b>24,000</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,959,464)	396,907	(982,318)	283,562	2,423,948	(1,547,942)	(1,789,455)	(994,335)	(4,169,097)
Cash and investments - beginning	2,169,935	992,658	2,050,827	778,898	-	4,245,959	1,821,865	2,334,534	14,394,676
Cash and investments - ending	<u>\$ 210,471</u>	<u>\$ 1,389,565</u>	<u>\$ 1,068,509</u>	<u>\$ 1,062,460</u>	<u>\$ 2,423,948</u>	<u>\$ 2,698,017</u>	<u>\$ 32,410</u>	<u>\$ 1,340,199</u>	10,225,579
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.									
									5,472,420
Net assets of governmental activities									<u>\$ 15,697,999</u>
<b>Cash and Investment Assets - Ending</b>									
Cash and investments	\$ 210,471	\$ 1,389,565	\$ 1,068,509	\$ 1,062,460	\$ 2,423,948	\$ -	\$ 32,410	\$ 1,340,042	\$ 7,527,405
Restricted assets:									
Cash and investments	-	-	-	-	-	2,698,017	-	157	2,698,174
<b>Total cash and investment assets - ending</b>	<b>\$ 210,471</b>	<b>\$ 1,389,565</b>	<b>\$ 1,068,509</b>	<b>\$ 1,062,460</b>	<b>\$ 2,423,948</b>	<b>\$ 2,698,017</b>	<b>\$ 32,410</b>	<b>\$ 1,340,199</b>	<b>\$ 10,225,579</b>
<b>Cash and Investment Fund Balance - Ending</b>									
Restricted for:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,698,017	\$ -	\$ 157	\$ 2,698,174
Unrestricted	210,471	1,389,565	1,068,509	1,062,460	2,423,948	-	32,410	1,340,042	7,527,405
<b>Total cash and investment fund balance - ending</b>	<b>\$ 210,471</b>	<b>\$ 1,389,565</b>	<b>\$ 1,068,509</b>	<b>\$ 1,062,460</b>	<b>\$ 2,423,948</b>	<b>\$ 2,698,017</b>	<b>\$ 32,410</b>	<b>\$ 1,340,199</b>	<b>\$ 10,225,579</b>

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  
PROPRIETARY FUND  
For the Year Ended June 30, 2008

	<u>Internal Service Fund</u>
Operating receipts:	
Employer contributions	\$ 5,207,717
Miscellaneous	<u>150,716</u>
Total operating receipts	<u>5,358,433</u>
Operating disbursements:	
Insurance claims and expense	<u>4,821,674</u>
Change in net assets	536,759
Cash and investment fund balance - beginning	<u>3,822,746</u>
Cash and investment fund balance - ending	<u>\$ 4,359,505</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 4,359,505</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 4,359,505</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  
PROPRIETARY FUND  
For the Year Ended June 30, 2009

	<u>Internal Service Fund</u>
Operating receipts:	
Employer contributions	\$ 4,849,436
Miscellaneous	<u>42,874</u>
Total operating receipts	<u>4,892,310</u>
Operating disbursements:	
Insurance claims and expense	<u>3,779,395</u>
Change in net assets	1,112,915
Cash and investment fund balance - beginning	<u>4,359,505</u>
Cash and investment fund balance - ending	<u>\$ 5,472,420</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 5,472,420</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 5,472,420</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, 2008

	Pension Trust Fund	Agency Fund
Additions:		
Investment earnings:		
Net increase in fair value of investments	\$ 500,039	
Deductions:		
Benefits	572,687	
Excess (deficiency) of additions over deductions	(72,648)	
Cash and investment fund balance - beginning	15,439,913	
Cash and investment fund balance - ending	\$ 15,367,265	\$ 72,053
Net assets:		
Cash and investments	\$ 15,367,265	
Total net assets - cash and investment basis held in trust	\$ 15,367,265	

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, 2009

	Pension Trust Fund	Agency Fund
Additions:		
Contributions:		
Other	\$ 5,593	
Investment earnings:		
Net increase in fair value of investments	408,169	
Total additions	413,761	
Deductions:		
Benefits	888,401	
Excess (deficiency) of total additions over total deductions	(474,640)	
Cash and investment fund balance - beginning	15,367,265	
Cash and investment fund balance - ending	\$ 14,892,625	\$ 22,366
Net assets:		
Cash and investments	\$ 14,892,625	
Total net assets - cash and investment basis held in trust	\$ 14,892,625	

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 Ventures

Porter County Education Services (Interlocal)

The School Corporation is a participant with other Porter County school corporations in a joint venture to operate the Porter County Education Services (Interlocal) which was created to provide special education, vocational education, and alternative school education. The School Corporation is obligated by contract to remit tuition to the Interlocal based on the number of students who participate in these programs. For the years ended June 30, 2008 and 2009, the School Corporation paid from the General and Special Education Preschool Funds a combined, \$2,235,587 and \$2,298,910, respectively.

In addition, the School Corporation pays the Interlocal for designated rooms at various schools that are used to deliver services. For the years ended June 30, 2008 and 2009, the School Corporation paid from the Capital Projects Fund \$1,146,776 and \$1,292,030, respectively. The Interlocal's continued existence depends on continued funding by the School Corporation. The School Corporation is obligated for the debts of the Interlocal for \$359,022. Complete financial statements for the Porter County Education Services (Interlocal) can be obtained from 750 Ransom Road, Valparaiso, Indiana, 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 \$1,000 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, Indiana, 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. It includes 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, 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. However, at this time, the School Corporation has not established any enterprise funds.

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 funds in accordance with IC 36-1-8-5.1 and a locally adopted resolution.

The cafeteria fund is used to account for financial resources for feeding breakfast and lunch to school children.

The fiscal stabilization fund accounts for the financial resources received from the American Recovery and Reinvestment Act of 2009.

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.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for health insurance benefits provided to other departments and retirees on a cost-reimbursement basis.

The pension trust fund accounts for retirement, postretirement or severance benefits provided to employees on or after the termination of their employment.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Agency funds account for assets held by the School Corporation as an agent for other governmental entities and insurance companies.

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.

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% 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.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. 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.

4. 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.

5. 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.
- 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.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 not reported as reimbursements but as adjustments to disbursements in the respective funds.
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:

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. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment 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.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Cash and Investment Balance Deficits

At June 30, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008
Safe Haven 2008	\$ 4,772
Educate America Title II	14,182

Cash and investment deficits arose primarily from disbursements of grant funds in anticipation of a subsequent reimbursement of costs. These deficits are to be repaid from future grant reimbursements.

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. The School Corporation does not have a deposit policy for custodial credit risk. At June 30, 2009, the School Corporation had deposit balances in the amount of \$30,612,990. These 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

As of June 30, 2009, the School Corporation had the following investments:

Investment Type	Market Value
U.S. treasuries and securities	\$ 602,343
U.S. government sponsored enterprises	13,382,340
Total	\$ 13,984,683

Statutory Authorization for Investments

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

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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, 2009, the School Corporation held investments in United States of America treasury notes and United States of America government sponsored enterprises of \$602,343 and \$13,382,340, respectively. These investments were held by the counterparty's trust department 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. The School Corporation does not have a formal investment policy for interest rate risk for investments.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ 602,343	\$ -	\$ -
U.S. government sponsored enterprises	4,431,259	8,051,643	899,438
Totals	<u>\$ 5,033,602</u>	<u>\$ 8,051,643</u>	<u>\$ 899,438</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The School Corporation does not have a formal investment policy for credit risk for investments.

Standard and Poor's Rating	Government Sponsored Enterprises
AAA	\$ 13,090,295
Unrated	292,045
Total	<u>\$ 13,382,340</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.

At June 30, 2009, the School Corporation held \$13,382,340 in United States of America government sponsored enterprise investments that were exposed to concentration of credit risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
Rainy Day Fund	General Fund	\$ -	\$ 803,794
	Debt Service Fund	-	1,204,524
	Capital Projects Fund	-	200,000
	Other governmental funds	-	274,000
Capital Projects Fund	Rainy Day Fund	2,000,000	-
Other governmental funds	Rainy Day Fund	-	250,000
Totals		<u>\$ 2,000,000</u>	<u>\$ 2,732,318</u>

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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 Benefits

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits. The risk financing fund is accounted for in the Self-Insurance Health Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$140,000 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 and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon the number of employees and their coverage (family or single) paid from each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporations

The School Corporation has entered into capital leases with the Valparaiso Multi-Schools Building Corporation and the Valparaiso Middle School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation. Lease payments during the year ended June 30, 2009, totaled \$9,107,500.

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 2008. Significant delays in the reassessment process resulted in delays in billing, collecting and distributing taxes for 2008. The final reconciling bill for 2007 pay 2008 taxes was due April 13, 2009. Three taxing districts that included taxes due to LaPorte County were not able to be billed until August 2009, due September 11, 2009. The final distribution of 2007 pay 2008 taxes was received by the School Corporation on October 2, 2009.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Due to significant delays in the reassessment process, the assessed valuations of Porter County were not finalized by February 15, 2009, as required. Therefore, the 2008 pay 2009 property tax rates and levies, as well as related budget orders for 2009, were not established until October, 2009. Porter County billed the 2008 pay 2009 taxes in one installment that was due December 4, 2009.

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 one-fourth percent per year of teaching experience in the School Corporation plus fifteen percent of accumulated sick leave days multiplied by the certified employee's base salary during the last years 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 five years after retirement or until the retiree is eligible for full social security benefits, whichever occurs first.

Nineteen retirees met these eligibility requirements during the year ended June 30, 2009. The School Corporation provided 100% of these postemployment benefits. Disbursements for those postemployment benefits were recognized on a pay-as-you-go basis. During the year ended June 30, 2009, disbursements of \$158,042 were recognized for postemployment benefits. These postemployment benefits were phased out as of October 1, 2009.

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:

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 total contributions made to PERF by the School Corporation during the year ended June 30, 2008, were \$430,684.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 436,810
Interest on net pension obligation	(43,826)
Adjustment to annual required contribution	49,943
Annual pension cost	442,927
Contributions made	430,684
Increase in net pension obligation	12,243
Net pension obligation, beginning of year	(604,498)
Net pension obligation, end of year	\$ (592,255)

	PERF
Contribution rates:	
School Corporation	6.75%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>
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

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-06	\$ 351,363	104%	\$ (664,958)
	06-30-07	440,822	86%	(604,498)
	06-30-08	442,927	97%	(592,255)

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

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy

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.

The School Corporation's contributions to the plan during the year ended June 30, 2009, were \$596,538.

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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 6,555,809	\$ 6,954,764	\$ (398,955)	94%	\$ 6,114,483	(7%)
07-01-07	7,400,550	7,651,183	(250,633)	97%	6,170,699	(4%)
07-01-08	7,575,886	8,172,810	(596,924)	93%	6,578,910	(9%)

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, 2008

	Special Education	Textbook Rental	Alternative Education	Safe Haven 2008	Little Bears	Peace Village	Lilly Endowment/ Teacher Creativity
<b>Receipts:</b>							
Local sources	\$ 37,396	\$ 330,541	\$ -	\$ -	\$ -	\$ 2,750	\$ -
State sources	141,452	-	11,074	21,000	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	23,807	-	-	-	-	-
<b>Total receipts</b>	<b>178,848</b>	<b>354,348</b>	<b>11,074</b>	<b>21,000</b>	<b>-</b>	<b>2,750</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	11,287	-	-	3,397	600
Support services	357	213,184	-	14,772	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Nonprogrammed charges	188,810	-	-	-	-	-	-
<b>Total disbursements</b>	<b>189,167</b>	<b>213,184</b>	<b>11,287</b>	<b>14,772</b>	<b>-</b>	<b>3,397</b>	<b>600</b>
Excess (deficiency) of receipts over disbursements	(10,319)	141,164	(213)	6,228	-	(647)	(600)
Cash and investments - beginning	79,431	538,494	11,234	(11,000)	150	1,317	600
Cash and investments - ending	<u>\$ 69,112</u>	<u>\$ 679,658</u>	<u>\$ 11,021</u>	<u>\$ (4,772)</u>	<u>\$ 150</u>	<u>\$ 670</u>	<u>\$ -</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 69,112	\$ 679,658	\$ 11,021	\$ (4,772)	\$ 150	\$ 670	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b><u>\$ 69,112</u></b>	<b><u>\$ 679,658</u></b>	<b><u>\$ 11,021</u></b>	<b><u>\$ (4,772)</u></b>	<b><u>\$ 150</u></b>	<b><u>\$ 670</u></b>	<b><u>\$ -</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	69,112	679,658	11,021	(4,772)	150	670	-
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 69,112</u></b>	<b><u>\$ 679,658</u></b>	<b><u>\$ 11,021</u></b>	<b><u>\$ (4,772)</u></b>	<b><u>\$ 150</u></b>	<b><u>\$ 670</u></b>	<b><u>\$ -</u></b>

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, 2008  
 (Continued)

	Gifts/ Donations	Discovery Alliance	Gifted and Talented	Non-English Speaking Program	School Tech	Title I	Title I Part D
<b>Receipts:</b>							
Local sources	\$ 54,869	\$ -	\$ -	\$ -	\$ 110,590	\$ -	\$ -
State sources	-	-	53,070	22,221	-	-	-
Federal sources	-	-	-	-	-	575,579	62,284
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<u>54,869</u>	<u>-</u>	<u>53,070</u>	<u>22,221</u>	<u>110,590</u>	<u>575,579</u>	<u>62,284</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	68,329	1	55,303	8,339	12,330	583,699	20,821
Support services	164	-	-	-	89,032	4,271	-
Noninstructional services	-	861	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<u>68,493</u>	<u>862</u>	<u>55,303</u>	<u>8,339</u>	<u>101,362</u>	<u>587,970</u>	<u>20,821</u>
Excess (deficiency) of receipts over disbursements	<u>(13,624)</u>	<u>(862)</u>	<u>(2,233)</u>	<u>13,882</u>	<u>9,228</u>	<u>(12,391)</u>	<u>41,463</u>
Cash and investments - beginning	<u>32,365</u>	<u>2,638</u>	<u>5,085</u>	<u>1,827</u>	<u>162,875</u>	<u>29,762</u>	<u>1,450</u>
Cash and investments - ending	<u>\$ 18,741</u>	<u>\$ 1,776</u>	<u>\$ 2,852</u>	<u>\$ 15,709</u>	<u>\$ 172,103</u>	<u>\$ 17,371</u>	<u>\$ 42,913</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 18,741	\$ 1,776	\$ 2,852	\$ 15,709	\$ 172,103	\$ 17,371	\$ 42,913
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 18,741</u>	<u>\$ 1,776</u>	<u>\$ 2,852</u>	<u>\$ 15,709</u>	<u>\$ 172,103</u>	<u>\$ 17,371</u>	<u>\$ 42,913</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>18,741</u>	<u>1,776</u>	<u>2,852</u>	<u>15,709</u>	<u>172,103</u>	<u>17,371</u>	<u>42,913</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ 18,741</u>	<u>\$ 1,776</u>	<u>\$ 2,852</u>	<u>\$ 15,709</u>	<u>\$ 172,103</u>	<u>\$ 17,371</u>	<u>\$ 42,913</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, 2008  
 (Continued)

	Title V Innovative Education	Learn and Serve American 05-06	Service Learning 2006	Service Learning/ Homeland Security	Points of Lights Program	Safe and Drug Free Schools 07-08	CASS 07 Safe and Drug Free Schools
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-	-
Federal sources	6,453	-	-	-	-	16,554	30,008
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<u>6,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,554</u>	<u>30,008</u>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	5,507	2,355	17,034	97	17,979	37,586
Support services	9,393	-	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
<b>Total disbursements</b>	<u>9,393</u>	<u>5,507</u>	<u>2,355</u>	<u>17,034</u>	<u>97</u>	<u>17,979</u>	<u>37,586</u>
Excess (deficiency) of receipts over disbursements	<u>(2,940)</u>	<u>(5,507)</u>	<u>(2,355)</u>	<u>(17,034)</u>	<u>(97)</u>	<u>(1,425)</u>	<u>(7,578)</u>
Cash and investments - beginning	<u>3,524</u>	<u>18,000</u>	<u>29,195</u>	<u>17,264</u>	<u>3,550</u>	<u>1,425</u>	<u>37,586</u>
Cash and investments - ending	<u>\$ 584</u>	<u>\$ 12,493</u>	<u>\$ 26,840</u>	<u>\$ 230</u>	<u>\$ 3,453</u>	<u>\$ -</u>	<u>\$ 30,008</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ 584	\$ 12,493	\$ 26,840	\$ 230	\$ 3,453	\$ -	\$ 30,008
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 584</u>	<u>\$ 12,493</u>	<u>\$ 26,840</u>	<u>\$ 230</u>	<u>\$ 3,453</u>	<u>\$ -</u>	<u>\$ 30,008</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>584</u>	<u>12,493</u>	<u>26,840</u>	<u>230</u>	<u>3,453</u>	<u>-</u>	<u>30,008</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ 584</u>	<u>\$ 12,493</u>	<u>\$ 26,840</u>	<u>\$ 230</u>	<u>\$ 3,453</u>	<u>\$ -</u>	<u>\$ 30,008</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, 2008  
 (Continued)

	Educate America Title II	Enhancing Education Title II 05-07	Language Minority Title III 07-08	Retirement/ Severance Bond	School Bus Replacement	TJM Construction	Totals
<b>Receipts:</b>							
Local sources	\$ -	\$ -	\$ -	\$ 1,713,137	\$ 575,541	\$ 24,040	\$ 2,848,864
State sources	-	-	-	-	-	-	248,817
Federal sources	167,027	-	21,877	-	-	-	879,782
Temporary loans	-	-	-	760,000	-	-	760,000
Interfund loans	-	-	-	6,500,000	250,000	-	6,750,000
Other	-	-	-	-	-	-	23,807
<b>Total receipts</b>	<b>167,027</b>	<b>-</b>	<b>21,877</b>	<b>8,973,137</b>	<b>825,541</b>	<b>24,040</b>	<b>11,511,270</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	177,919	(39,405)	45,098	-	-	-	1,028,276
Support services	-	4,970	-	-	1,095,453	-	1,431,596
Noninstructional services	-	-	-	-	-	-	861
Facilities acquisition and construction	-	-	-	-	-	11,710	11,710
Debt services	-	-	-	1,672,198	-	-	1,672,198
Temporary loans	-	-	-	725,500	-	-	725,500
Interfund loans	-	-	-	6,500,000	-	-	6,500,000
Nonprogrammed charges	3,290	3,214	-	-	-	-	195,314
<b>Total disbursements</b>	<b>181,209</b>	<b>(31,221)</b>	<b>45,098</b>	<b>8,897,698</b>	<b>1,095,453</b>	<b>11,710</b>	<b>11,565,455</b>
Excess (deficiency) of receipts over disbursements	(14,182)	31,221	(23,221)	75,439	(269,912)	12,330	(54,185)
Cash and investments - beginning	-	(31,221)	25,990	683,403	307,663	436,112	2,388,719
Cash and investments - ending	<u>\$ (14,182)</u>	<u>\$ -</u>	<u>\$ 2,769</u>	<u>\$ 758,842</u>	<u>\$ 37,751</u>	<u>\$ 448,442</u>	<u>\$ 2,334,534</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ (14,182)	\$ -	\$ 2,769	\$ -	\$ 37,751	\$ 448,442	\$ 1,575,692
Restricted assets:							
Cash and investments	-	-	-	758,842	-	-	758,842
<b>Total cash and investment assets - ending</b>	<b><u>\$ (14,182)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,769</u></b>	<b><u>\$ 758,842</u></b>	<b><u>\$ 37,751</u></b>	<b><u>\$ 448,442</u></b>	<b><u>\$ 2,334,534</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ 758,842	\$ -	\$ -	\$ 758,842
Unrestricted	(14,182)	-	2,769	-	37,751	448,442	1,575,692
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ (14,182)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,769</u></b>	<b><u>\$ 758,842</u></b>	<b><u>\$ 37,751</u></b>	<b><u>\$ 448,442</u></b>	<b><u>\$ 2,334,534</u></b>

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, 2009

	Special Education	Textbook Rental	Alternative Education	Safe Haven 2008	Little Bears	Peace Village
<b>Receipts:</b>						
Local sources	\$ 40,548	\$ 401,097	\$ -	\$ -	\$ -	\$ -
State sources	175,567	-	11,096	15,992	-	-
Federal sources	-	-	-	-	-	-
<b>Total receipts</b>	<b>216,115</b>	<b>401,097</b>	<b>11,096</b>	<b>15,992</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	-	-	-
Support services	1,205	508,254	-	11,220	-	-
Noninstructional services	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-
Nonprogrammed charges	297,000	-	-	-	-	-
<b>Total disbursements</b>	<b>298,205</b>	<b>508,254</b>	<b>-</b>	<b>11,220</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(82,090)	(107,157)	11,096	4,772	-	-
<b>Other financing sources (uses):</b>						
Transfers in	13,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>13,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(69,090)	(107,157)	11,096	4,772	-	-
Cash and investments - beginning	69,112	679,658	11,021	(4,772)	150	670
Cash and investments - ending	<u>\$ 22</u>	<u>\$ 572,501</u>	<u>\$ 22,117</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 670</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 22	\$ 572,501	\$ 22,117	\$ -	\$ 150	\$ 670
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 22</u>	<u>\$ 572,501</u>	<u>\$ 22,117</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 670</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	22	572,501	22,117	-	150	670
<b>Total cash and investment fund balance - ending</b>	<u>\$ 22</u>	<u>\$ 572,501</u>	<u>\$ 22,117</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 670</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, 2009  
 (Continued)

	Gifts/ Donations	Discovery Alliance	High Ability 08-09	Non-English Speaking Program	School Tech
<b>Receipts:</b>					
Local sources	\$ 43,802	\$ -	\$ -	\$ -	\$ 97,985
State sources	-	-	53,070	20,238	-
Federal sources	-	-	-	-	-
<b>Total receipts</b>	<b>43,802</b>	<b>-</b>	<b>53,070</b>	<b>20,238</b>	<b>97,985</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	30,501	171	27,341	33,915	47,733
Support services	71	-	-	-	201,600
Noninstructional services	-	1,605	-	-	-
Debt services	-	-	-	-	-
Temporary loans	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
<b>Total disbursements</b>	<b>30,572</b>	<b>1,776</b>	<b>27,341</b>	<b>33,915</b>	<b>249,333</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>13,230</b>	<b>(1,776)</b>	<b>25,729</b>	<b>(13,677)</b>	<b>(151,348)</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>13,230</b>	<b>(1,776)</b>	<b>25,729</b>	<b>(13,677)</b>	<b>(151,348)</b>
<b>Cash and investments - beginning</b>	<b>18,741</b>	<b>1,776</b>	<b>2,852</b>	<b>15,709</b>	<b>172,103</b>
<b>Cash and investments - ending</b>	<b>\$ 31,971</b>	<b>\$ -</b>	<b>\$ 28,581</b>	<b>\$ 2,032</b>	<b>\$ 20,755</b>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 31,971	\$ -	\$ 28,581	\$ 2,032	\$ 20,755
Restricted assets:					
Cash and investments	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 31,971</b>	<b>\$ -</b>	<b>\$ 28,581</b>	<b>\$ 2,032</b>	<b>\$ 20,755</b>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	31,971	-	28,581	2,032	20,755
<b>Total cash and investment fund balance - ending</b>	<b>\$ 31,971</b>	<b>\$ -</b>	<b>\$ 28,581</b>	<b>\$ 2,032</b>	<b>\$ 20,755</b>

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, 2009  
 (Continued)

	Title I	Title I Part D Delinquent	Title V Innovative Education	Learn and Serve American 05-06	Service Learning 2006
<b>Receipts:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	<u>603,405</u>	<u>52,989</u>	<u>11,819</u>	-	-
Total receipts	<u>603,405</u>	<u>52,989</u>	<u>11,819</u>	-	-
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	477,330	63,911	-	3,266	3,476
Support services	17,684	4,863	5,654	-	-
Noninstructional services	92,186	-	-	-	-
Debt services	-	-	-	-	-
Temporary loans	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-
Total disbursements	<u>587,200</u>	<u>68,774</u>	<u>5,654</u>	<u>3,266</u>	<u>3,476</u>
Excess (deficiency) of receipts over disbursements	<u>16,205</u>	<u>(15,785)</u>	<u>6,165</u>	<u>(3,266)</u>	<u>(3,476)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	16,205	(15,785)	6,165	(3,266)	(3,476)
Cash and investments - beginning	<u>17,371</u>	<u>42,913</u>	<u>584</u>	<u>12,493</u>	<u>26,840</u>
Cash and investments - ending	<u>\$ 33,576</u>	<u>\$ 27,128</u>	<u>\$ 6,749</u>	<u>\$ 9,227</u>	<u>\$ 23,364</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 33,576	\$ 27,128	\$ 6,749	\$ 9,227	\$ 23,364
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 33,576</u>	<u>\$ 27,128</u>	<u>\$ 6,749</u>	<u>\$ 9,227</u>	<u>\$ 23,364</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>33,576</u>	<u>27,128</u>	<u>6,749</u>	<u>9,227</u>	<u>23,364</u>
Total cash and investment fund balance - ending	<u>\$ 33,576</u>	<u>\$ 27,128</u>	<u>\$ 6,749</u>	<u>\$ 9,227</u>	<u>\$ 23,364</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, 2009  
 (Continued)

	Service Learning/ Homeland Security	Points of Lights Program	Safe and Drug Free Schools 08-09	CASS 07 Safe and Drug Free Schools	Educate America Title II
Receipts:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	-	-	14,424	-	188,264
Total receipts	-	-	14,424	-	188,264
Disbursements:					
Current:					
Instruction	230	71	12,498	30,008	141,945
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Debt services	-	-	-	-	-
Temporary loans	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	1,080
Total disbursements	230	71	12,498	30,008	143,025
Excess (deficiency) of receipts over disbursements	(230)	(71)	1,926	(30,008)	45,239
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(230)	(71)	1,926	(30,008)	45,239
Cash and investments - beginning	230	3,453	-	30,008	(14,182)
Cash and investments - ending	<u>\$ -</u>	<u>\$ 3,382</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 31,057</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ -	\$ 3,382	\$ 1,926	\$ -	\$ 31,057
Restricted assets:					
Cash and investments	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ -</u>	<u>\$ 3,382</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 31,057</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	3,382	1,926	-	31,057
Total cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 3,382</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ 31,057</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, 2009  
 (Continued)

	Language Minority Title III 08-09	Retirement/ Severance Bond	School Bus Replacement	TJM Construction	Totals
<b>Receipts:</b>					
Local sources	\$ -	\$ 1,369,401	\$ 818,098	\$ 5,062	\$ 2,775,993
State sources	-	-	-	-	275,963
Federal sources	20,550	-	-	-	891,451
<b>Total receipts</b>	<b>20,550</b>	<b>1,369,401</b>	<b>818,098</b>	<b>5,062</b>	<b>3,943,407</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Instruction	21,851	-	-	-	894,247
Support services	-	-	535,987	-	1,286,538
Noninstructional services	-	-	-	-	93,791
Debt services	-	1,629,086	-	-	1,629,086
Temporary loans	-	760,000	-	-	760,000
Nonprogrammed charges	-	-	-	-	298,080
<b>Total disbursements</b>	<b>21,851</b>	<b>2,389,086</b>	<b>535,987</b>	<b>-</b>	<b>4,961,742</b>
Excess (deficiency) of receipts over disbursements	(1,301)	(1,019,685)	282,111	5,062	(1,018,335)
<b>Other financing sources (uses):</b>					
Transfers in	-	261,000	-	-	274,000
Transfers out	-	-	(250,000)	-	(250,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>261,000</b>	<b>(250,000)</b>	<b>-</b>	<b>24,000</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,301)	(758,685)	32,111	5,062	(994,335)
Cash and investments - beginning	2,769	758,842	37,751	448,442	2,334,534
Cash and investments - ending	<u>\$ 1,468</u>	<u>\$ 157</u>	<u>\$ 69,862</u>	<u>\$ 453,504</u>	<u>\$ 1,340,199</u>
<b>Cash and Investment Assets - Ending</b>					
Cash and investments	\$ 1,468	\$ -	\$ 69,862	\$ 453,504	\$ 1,340,042
Restricted assets:					
Cash and investments	-	157	-	-	157
<b>Total cash and investment assets - ending</b>	<u>\$ 1,468</u>	<u>\$ 157</u>	<u>\$ 69,862</u>	<u>\$ 453,504</u>	<u>\$ 1,340,199</u>
<b>Cash and Investment Fund Balance - Ending</b>					
Restricted for:					
Debt service	\$ -	\$ 157	\$ -	\$ -	\$ 157
Unrestricted	1,468	-	69,862	453,504	1,340,042
<b>Total cash and investment fund balance - ending</b>	<u>\$ 1,468</u>	<u>\$ 157</u>	<u>\$ 69,862</u>	<u>\$ 453,504</u>	<u>\$ 1,340,199</u>

VALPARAISO COMMUNITY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended June 30, 2009

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.

	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 7,952,928
Buildings	98,905,027
Improvements other than buildings	3,699,605
Machinery and equipment	20,614,145
 Total governmental activities, capital assets not being depreciated	 \$ 131,171,705

VALPARAISO COMMUNITY SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2009

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Valparaiso Multi-Schools Building Corporation	\$ 19,007,157	\$ 5,110,000
Valparaiso Middle School Building Corporation	38,521,763	3,500,000
Notes and loans payable:		
Interlocal Retirement Buyout Loan	359,022	156,498
Textbook Purchase Deferred Notes	219,744	92,023
General obligation bonds payable:		
2002 Pension Retirement Bonds	4,360,000	895,307
2005 Pension Retirement Bonds	<u>12,885,000</u>	<u>735,244</u>
Total governmental activities debt	<u>\$ 75,352,686</u>	<u>\$ 10,489,072</u>

VALPARAISO COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal by the depository. The School Corporation recorded the interest, but there is no record of an investment purchased at the new principal amount. Additionally, quotes were not obtained for these investments in certificates of deposit to ensure that the highest rate of interest available was received.

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)

IC 5-13-9-4(b) states in part: "The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

RETIREMENT BUYOUT LOAN

The School Corporation is a member of the Porter County Education Services (Interlocal). A loan was obtained by the Interlocal for several of the member's share of a retirement buyout for teachers and administrators. Valparaiso Community Schools' share of the loan was \$718,028. Four loan payments were made to the Interlocal during the audit period; one from the Capital Projects Fund, one from the General Fund, and two from the Pension Fund. The School Corporation did not reduce their total property tax levy or establish a separate debt service fund for repayment of retirement liability.

IC 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."

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

VALPARAISO COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Sources and uses of funds should be limited to those authorized by enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS – FOOD SERVICE RECEIPTS

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 one is requested; and then a generic receipt is issued. A prepayment form is prepared by the students and submitted with their payment to the cashier. The prepayment form is not pre-numbered, not in duplicate, and is not a prescribed or approved form. Due to the failure to issue prescribed or approved receipts and to maintain a duplicate copy that supports the amounts deposited and recorded, full accountability for school lunch monies received could not be established. The financial transactions of the Cafeteria Fund are material to, and reported in, the financial report of the School Corporation.

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)

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)

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 School Corporations, Chapter 9)

INTERNAL CONTROLS – RECEIPTS AND CASH AND INVESTMENT BALANCES

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting of receipts and cash and investment balances which we believe are significant deficiencies. Control activities were not selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. Valparaiso Community Schools has not separated incompatible activities related to receipts and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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 objections, 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.

VALPARAISO COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

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 Indiana Public School Corporations, Chapter 9)

DEPOSITS OF ATHLETIC RECEIPTS (Applies to Valparaiso High School)

The Valparaiso High School Athletic Department makes deposits of athletic event collections. We noted that in some instances, deposits were made up to 37 days after the gate receipts were collected.

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

BANK RECONCILEMENTS (Applies to Parkview Elementary School)

Depository reconcilements of the fund balances to the bank account balances were not presented for audit for June 30, 2009.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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, 2008 and 2009. 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, 2008 and 2009.

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 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.

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)

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.

This report is intended solely for the information and use of the School Corporation's management, the School Board of Trustees, 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 8, 2009

VALPARAISO COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2008 and 2009

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 06-30-08	Total Federal Awards Expended 06-30-09
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Pass-Through Indiana Department of Education Child Nutrition Cluster				
School Breakfast Program	10.553	SY 2007-2008	\$ 100,944	\$ -
		SY 2008-2009	-	120,852
National School Lunch Program	10.555	SY 2007-2008	615,329	-
		SY 2008-2009	-	714,033
Total for federal grantor agency			<u>716,273</u>	<u>834,885</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Pass-Through Indiana Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies Basic	84.010	SY 2006-2007	4,741	-
		SY 2007-2008	526,239	30,967
		SY 2008-2009	-	524,471
Delinquent		SY 2006-2007	5,450	-
		SY 2007-2008	15,371	42,913
		SY 2008-2009	-	25,860
Total for program			<u>551,801</u>	<u>624,211</u>
Pass-Through Points of Light Foundation Safe and Drug Free Schools and Communities - National Program	84.184	SY 2004-2005	57	-
		SY 2005-2006	40	71
Total for program			<u>97</u>	<u>71</u>
Pass-Through Indiana Department of Education Safe and Drug Free Schools and Communities - State Grants Title IV, Part A, Subpart 1 of ESEA	84.186	6560-06	1,425	-
		6560-07	16,554	-
		6560-08	-	12,498
CASS Program		6560-07	37,586	-
		6560-08	-	30,008
Total for program			<u>55,565</u>	<u>42,506</u>
State Grants for Innovative Programs Title V of ESEA	84.298	05-6560	1,732	-
		06-6560	7,626	584
		07-6560	-	5,089
Total for program			<u>9,358</u>	<u>5,673</u>
English Language Acquisition Grants Title III	84.365	SY 2006-2007	25,990	-
		SY 2007-2008	19,108	2,769
		SY 2008-2009	-	19,082
Total for program			<u>45,098</u>	<u>21,851</u>
Improving Teacher Quality State Grants Title II, Part A	84.367	06-6560	167,027	-
		07-6560	12,219	144,987
Total for program			<u>179,246</u>	<u>144,987</u>
State Fiscal Stabilization Fund Cluster ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394		-	1,315,521
Total for federal grantor agency			<u>841,165</u>	<u>2,154,820</u>
<b>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Pass-Through Indiana Department of Education Learn and Serve America - Schools and Community Based Programs Learn and Serve Indiana	94.004	SY 2006-2007	597	-
		SY 2007-2008	1,757	3,476
Learn and Serve Indiana Homeland Security Initiative		SY 2004-2005	5,507	3,266
		SY 2005-2006	17,035	-
		SY 2006-2007	-	229
Total for federal grantor agency			<u>24,896</u>	<u>6,971</u>
Total federal awards expended			<u>\$ 1,582,334</u>	<u>\$ 2,996,676</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 Schools (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, 2008 and 2009. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	2008	2009
Child Nutrition Cluster	\$ 92,898	\$ 130,924

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
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.367	Title I, Part A Cluster Improving Teacher Quality State Grants
84.394	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)

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

Auditee qualified as low-risk auditee? no

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

Section II – Financial Statement Findings

FINDING 2009-1, INTERNAL CONTROLS – FOOD SERVICE RECEIPTS

Students have the option to pay for meals in advance, rather than at the point of sale. Receipts are generally not issued for money collected unless one is requested. Due to the failure to issue receipts which would support the amounts deposited and recorded, full accountability for school lunch monies received could not be established. Food service receipts are accounted for separately from the School Corporation; however, the transactions are material to and are reported in the financial statements of the School Corporation. Valparaiso Community Schools has not identified risks to the preparation of reliable financial statements regarding Food Service receipts and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

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)

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.

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 Indiana Public School Corporations, Chapter 9)

We recommended that prescribed or approved receipts be issued for payments received for school meals sold in advance and that Officials design and implement controls to ensure accurate financial reporting of Food Service transactions.

FINDING 2009-2, INTERNAL CONTROLS – RECEIPTS AND CASH AND INVESTMENT BALANCES

Valparaiso Community Schools has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. Valparaiso Community Schools has not separated incompatible activities related to receipts and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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 objections, 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.

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 Indiana Public School Corporations, Chapter 9)

We recommended that Officials design and implement controls to ensure accurate financial reporting of receipts and cash and investment balances.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

# 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  
November 3, 2009  
Summary Schedule of Prior Audit Findings

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 2007-08

Basic Grant FY 2008-09

Pass Through Entity: Indiana Department of Education

Audited Contact Person: Stacey Schmidt

Phone Number: 219-531-3000

The following steps have been implemented to correct the "month end cash balances" citation previously referenced in the Corrective Action Plan.

- The Valparaiso Schools:
  - Closely monitored the cash balances in the Title I account.
  - Created a process where the expenditures for the month closely matched the cash available.
  - Contacted the Title I office in Indianapolis and reduced the "cash request" when the cash balance in this account was high.
  - Communicated with the business manager of Title I in Indianapolis to ask for assistance in making the appropriate adjustment to the cash requests.

Signed:

  
\_\_\_\_\_  
Stacey Schmidt, Director of Elementary Education

Date:

  
\_\_\_\_\_  
11/3/09

VALPARAISO COMMUNITY SCHOOLS  
FOOD SERVICE DEPARTMENT  
"Child Nutrition Services"

**FOOD SERVICE OFFICE**  
C/O VALPARAISO HIGH SCHOOL  
2727 N. CAMPBELL STREET  
VALPARAISO, INDIANA 46385  
PHONE (219) 531-3050  
FAX (219) 531-3076

**CYNTHIA LICCIARDONE**  
FOOD SERVICE DIRECTOR  
PHONE (219) 476-8821  
e-mail: clicciardone@mail.valpo.k12.in.us

**Corrective Action Plan**

Fiscal Year	July 2007- June 2009
Audit Contact Person	Cindy Licciardone
Title of Contact Person	Food Service Director
Phone Number	219-531-3050

Finding Number 2007-1, Internal Controls

The current computerized meal system does not have the capability to add an electronic receipt printer. I plan to meet with representatives of approved computerized meal systems to discuss conversion to a system that will provide duplicate receipts for deposits made to student accounts.

  
Cindy Licciardone, FSD

11-10-09

# 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 2007 – June 2009
Audit Contact Person	Joyce Nicholas
Title of Contact Person	Treasurer
Phone Number	219-531-3000

### Finding Number 2009-1, Internal Controls

With the purchase of a new financial system, I will have the ability to monitor the monthly reports from Food Service. This will help with the reconciling of the 6 month report for the Form 9.

### Finding Number 2009-2, Internal Controls

The Treasurer will be receipting in all cash and checks, and the Deputy Treasurer will then write up the deposit slips. After balancing the bank reconciliation, Dave White, Administrative Officer for Finance and Operations, will then approve the reconciled balances.

11-17-09

---

Joyce Nicholas, Treasurer

VALPARAISO COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2009, with Joyce Nicholas, Treasurer; Dr. Michael P. Benway, Superintendent of Schools; Mary Idstein, President of the School Board; and David White, Administrative Officer for Finance and Operations. The officials concurred with our audit findings.