

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF VALPARAISO

PORTER COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
09/17/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon Emerson Swihart	01-01-08 to 12-31-15
Mayor	Jon Costas	01-01-08 to 12-31-15
President of the Board of Public Works	Jon Costas	01-01-08 to 12-31-15
President of the Common Council	Jon Costas	01-01-08 to 12-31-15
City Administrator	Bill Oeding	01-01-11 to 12-31-12
Superintendent of Utilities	John Hardwick	01-01-11 to 12-31-12
Controller of Utilities	Richard S. Freeman	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF VALPARAISO, PORTER COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Valparaiso (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated September 4, 2012, on our consideration of the City'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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. 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 financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports used to prepare the financial statement. The information has been subjected to

INDEPENDENT AUDITOR'S REPORT
(Continued)

the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the financial statement taken as a whole.

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

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, 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

September 4, 2012



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

TO: THE OFFICIALS OF THE CITY OF VALPARAISO, PORTER COUNTY, INDIANA

We have audited the financial statement of the City of Valparaiso (City), for the year ended December 31, 2011, and have issued our report thereon dated September 4, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

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

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, 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

September 4, 2012

FINANCIAL STATEMENT

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

CITY OF VALPARAISO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 1,858,801	\$ 24,465,675	\$ 23,487,527	\$ 2,836,949
Motor Vehicle Highway	1,687,214	898,923	1,510,006	1,076,131
Local Road And Street	417,202	372,491	108,833	680,860
Parking Meter	78,573	95,509	45,474	128,608
Park Nonreverting Operating	330,173	1,134,117	1,123,905	340,385
Emergency Medical Services/Ambulance	394,735	710,524	601,265	503,994
Crime Control	14,388	19,050	22,676	10,762
Transportation - V Line	747,810	1,001,485	672,044	1,077,251
Law Enforcement Continuing Ed	128,319	42,548	27,277	143,590
Unsafe Building	48,166	29,900	16,400	61,666
Riverboat	731,355	171,645	191,183	711,817
Parks And Recreation	780,031	2,437,825	2,526,863	690,993
Rainy Day	3,542,081	310,243	125,000	3,727,324
Forfeiture & Seized Asset Fund	10,691	-	6,881	3,810
Levy Excess	50,280	-	-	50,280
Major Moves Construction	224,814	18,975	2,247	241,542
Cumulative Capl Imprv Cigarette Tax	576,159	78,767	-	654,926
Cumulative Capital Development	313,819	304,383	348,350	269,852
Park Nonreverting Capital	3,399	14,001	14,992	2,408
Cumulative Revolving Improvement	310,243	-	310,243	-
Cedit Capital Projects	377,960	1,737,807	1,741,690	374,077
Health Claims	583	3,085,503	3,085,187	899
Police Pension	692,956	621,307	542,771	771,492
Fire Pension	841,624	722,606	830,289	733,941
SBA Grant - Entech	-	250,000	250,000	-
Rental Registration	-	4,430	70	4,360
Park Tree Fund	-	27,719	26,733	986
Park Cash Fund	-	2,508	1,450	1,058
Donations	73,673	31,312	52,736	52,249
Railroad Crossing Grant	(18,242)	27,232	18,770	(9,780)
Park Donation	111,561	48,535	68,473	91,623
Cmac Public Works Grant	(152,950)	305,814	152,864	-
Gr. 2010-Dj-Bx-0857	-	30,000	30,000	-
Secure Our Schools	6,137	70,000	70,277	5,860
Employee Benefit Plan	478,182	3,175,561	3,568,018	85,725
Grant - Tobacco Education	1,439	-	50	1,389
Rental Rehab	200,154	-	-	200,154
Police Vehicle Equipment	62,538	22,750	14,051	71,237
Firefighting Fund	31,715	69,353	66,503	34,565
Capital Equipment	50,000	350,000	400,000	-

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

CITY OF VALPARAISO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Cemetery	208,854	19,340	24,908	203,286
Indiana Police And Fire Pension	84,371	335,280	340,216	79,435
Park Indiana Sales Tax	878	23,493	23,323	1,048
Park Gift Certificates	47,201	14,607	12,184	49,624
Park City Tree Ordinance	1,974	-	662	1,312
Park Impact Fees	256,253	415,730	339,927	332,056
Park Creekside Bond Debt Reserve	200,864	248,865	237,041	212,688
Redevelopment Debt Reserve	468,900	-	-	468,900
Transportation - Dash	411,052	1,108,820	606,398	913,474
Dash Credit Card Revenue	8,928	156,359	4,369	160,918
Developer Deposits	16,889	-	-	16,889
Justice Assistance Grant	3,774	-	-	3,774
Grant - Police Equipment	34,590	30,000	16,582	48,008
Park Bond & Interest	-	351,751	350,525	1,226
Debt Service - Other	206,669	903,728	656,916	453,481
Cumulative Sewer	1,259,827	232,314	177,486	1,314,655
2006 Bond Issue	24	-	-	24
2002 Bond Issue	597,352	-	47,423	549,929
Redevelopment Consolidated Tif Area	15,783,475	5,553,808	6,851,371	14,485,912
Payroll	-	11,120,716	11,120,716	-
Sign Deposit	1,000	-	-	1,000
Storm Water Utility-Operating	1,954,866	2,264,461	2,220,535	1,998,792
Storm Water Util-Bond And Interest	283,163	660,363	88,600	854,926
Stormwater Board Construction	-	6,369,385	1,039,729	5,329,656
Construction #2	-	1,307,905	1,307,905	-
Retainage	-	93,731	-	93,731
Wastewater Utility-Operating	919,355	7,602,555	7,500,988	1,020,922
Wastewater Util-Bond And Interest	756,972	1,880,461	1,818,668	818,765
Wastewater Utility-Deprec/Improve	1,719,849	1,269,715	811,361	2,178,203
Wastewater Utility-Construction	1,547,160	1,857	1,549,017	-
Wastewater Utility Debt Reserve	924,349	12,361	-	936,710
Water Utility-Operating	272,298	7,009,462	6,063,902	1,217,858
Water Utility-Bond And Interest	194,384	779,854	778,719	195,519
Water Utility-Customer Deposit	228,155	5,646	20,513	213,288
Water Utility-Construction	1,884,622	1,412	1,390,000	496,034
Water Utility-Improvement	5,522	1,865,000	1,215,096	655,426
Water Utility Debt Reserve	784,220	-	-	784,220
Totals	\$ 46,073,373	\$ 94,327,477	\$ 88,676,178	\$ 51,724,672

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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

C. Cash and Investments

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

D. Receipts

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

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Subsequent Events

On January 23, 2012, the Common Council approved Ordinance 03-2012, authorizing the issuance of General Obligation Refunding Bonds for the purpose of providing funds to refinance the City's General Obligation Bonds of 2005, Series A and the City's General Obligation Bonds of 2002, Series A. The General Obligation Refunding Bonds, Series 2012 principal balance is \$3,700,000.

On March 28, 2012, the Common Council approved Ordinance 12-2012, establishing the Valparaiso Fire Protection Territory and creating the Valparaiso Fire Protection Territory Fund and the Valparaiso Fire Protection Territory Equipment Replacement Fund.

On March 28, 2012, the City also entered into an Interlocal Cooperation Agreement between the Common Council and the Governing Board of Center Township for the Valparaiso Fire Protection Territory.

On June 6, 2012, the Indiana Department of Transportation paid the City \$2,000,000 to take over the stretch of road known as Indiana 130 from US 30 to Indiana 149. The Indiana Department of Transportation also pledged \$18,000,000 of its future federal highway monies to help the City improve the US 30 corridor from Indiana 49 West to Hayes Leonard road. The City will not be required to match the federal funds because of a system known as Toll Road Credits.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Parking Meter	Park Nonreverting Operating	Emergency Medical Services/Ambulance	Crime Control
Cash and investments - beginning	\$ 1,858,801	\$ 1,687,214	\$ 417,202	\$ 78,573	\$ 330,173	\$ 394,735	\$ 14,388
Receipts:							
Taxes	12,354,294	98,789	-	-	-	-	-
Licenses and permits	373,217	3,690	-	41,776	-	-	-
Intergovernmental	1,082,084	766,237	296,490	-	-	-	-
Charges for services	1,494,789	-	-	753	1,134,117	-	19,050
Fines and forfeits	2,137,920	-	-	52,980	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,023,371	30,207	76,001	-	-	710,524	-
Total receipts	24,465,675	898,923	372,491	95,509	1,134,117	710,524	19,050
Disbursements:							
Personal services	11,534,461	934,889	-	36,049	-	-	22,676
Supplies	842,622	332,011	100,000	3,595	-	-	-
Other services and charges	3,080,673	219,038	8,833	5,830	-	1,265	-
Debt service - principal and interest	3,611,371	-	-	-	-	-	-
Capital outlay	1,255	24,068	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	4,417,145	-	-	-	1,123,905	600,000	-
Total disbursements	23,487,527	1,510,006	108,833	45,474	1,123,905	601,265	22,676
Excess (deficiency) of receipts over disbursements	978,148	(611,083)	263,658	50,035	10,212	109,259	(3,626)
Cash and investments - ending	\$ 2,836,949	\$ 1,076,131	\$ 680,860	\$ 128,608	\$ 340,385	\$ 503,994	\$ 10,762

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Transportation V Line	Law Enforcement Continuing Ed	Unsafe Building	Riverboat	Parks And Recreation	Rainy Day	Forfeiture & Seized Asset Fund
Cash and investments - beginning	\$ 747,810	\$ 128,319	\$ 48,166	\$ 731,355	\$ 780,031	\$ 3,542,081	\$ 10,691
Receipts:							
Taxes	-	-	-	-	1,679,405	-	-
Licenses and permits	171,589	-	-	-	-	-	-
Intergovernmental	468,904	-	-	171,645	142,662	-	-
Charges for services	30,992	42,548	-	-	85,758	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	330,000	-	29,900	-	530,000	310,243	-
Total receipts	<u>1,001,485</u>	<u>42,548</u>	<u>29,900</u>	<u>171,645</u>	<u>2,437,825</u>	<u>310,243</u>	<u>-</u>
Disbursements:							
Personal services	9,109	-	-	-	1,780,647	-	-
Supplies	111,366	-	-	-	155,227	-	-
Other services and charges	519,249	27,277	-	191,183	352,327	-	6,881
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	32,290	-	-	-	36,133	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	30	-	16,400	-	202,529	125,000	-
Total disbursements	<u>672,044</u>	<u>27,277</u>	<u>16,400</u>	<u>191,183</u>	<u>2,526,863</u>	<u>125,000</u>	<u>6,881</u>
Excess (deficiency) of receipts over disbursements	<u>329,441</u>	<u>15,271</u>	<u>13,500</u>	<u>(19,538)</u>	<u>(89,038)</u>	<u>185,243</u>	<u>(6,881)</u>
Cash and investments - ending	<u>\$ 1,077,251</u>	<u>\$ 143,590</u>	<u>\$ 61,666</u>	<u>\$ 711,817</u>	<u>\$ 690,993</u>	<u>\$ 3,727,324</u>	<u>\$ 3,810</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Levy Excess	Major Moves Construction	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Park Nonreverting Capital	Cumulative Revolving Improvement	Cedit Capital Projects
Cash and investments - beginning	\$ 50,280	\$ 224,814	\$ 576,159	\$ 313,819	\$ 3,399	\$ 310,243	\$ 377,960
Receipts:							
Taxes	-	-	-	282,048	-	-	64,091
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	78,767	22,335	-	-	1,612,483
Charges for services	-	-	-	-	14,001	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	18,975	-	-	-	-	61,233
Total receipts	-	18,975	78,767	304,383	14,001	-	1,737,807
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	83,350	-	-	-
Other services and charges	-	2,247	-	-	-	-	1,741,690
Debt service - principal and interest	-	-	-	265,000	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	14,992	310,243	-
Total disbursements	-	2,247	-	348,350	14,992	310,243	1,741,690
Excess (deficiency) of receipts over disbursements	-	16,728	78,767	(43,967)	(991)	(310,243)	(3,883)
Cash and investments - ending	\$ 50,280	\$ 241,542	\$ 654,926	\$ 269,852	\$ 2,408	\$ -	\$ 374,077

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Health Claims	Police Pension	Fire Pension	SBA Grant Entech	Rental Registration	Park Tree Fund	Park Cash Fund
Cash and investments - beginning	\$ 583	\$ 692,956	\$ 841,624	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	621,307	722,606	-	-	-	-
Licenses and permits	-	-	-	-	4,430	-	-
Intergovernmental	-	-	-	250,000	-	-	-
Charges for services	-	-	-	-	-	27,719	2,508
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,085,503	-	-	-	-	-	-
Total receipts	<u>3,085,503</u>	<u>621,307</u>	<u>722,606</u>	<u>250,000</u>	<u>4,430</u>	<u>27,719</u>	<u>2,508</u>
Disbursements:							
Personal services	3,085,187	533,623	830,264	-	-	-	-
Supplies	-	48	25	-	-	-	-
Other services and charges	-	9,100	-	250,000	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	70	26,733	1,450
Total disbursements	<u>3,085,187</u>	<u>542,771</u>	<u>830,289</u>	<u>250,000</u>	<u>70</u>	<u>26,733</u>	<u>1,450</u>
Excess (deficiency) of receipts over disbursements	<u>316</u>	<u>78,536</u>	<u>(107,683)</u>	<u>-</u>	<u>4,360</u>	<u>986</u>	<u>1,058</u>
Cash and investments - ending	<u>\$ 899</u>	<u>\$ 771,492</u>	<u>\$ 733,941</u>	<u>\$ -</u>	<u>\$ 4,360</u>	<u>\$ 986</u>	<u>\$ 1,058</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Donations	Railroad Crossing Grant	Park Donation	Cmac Public Works Grant	Gr. 2010 Dj-Bx-0857	Secure Our Schools	Employee Benefit Plan
Cash and investments - beginning	\$ 73,673	\$ (18,242)	\$ 111,561	\$ (152,950)	\$ -	\$ 6,137	\$ 478,182
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	27,232	-	305,814	-	70,000	-
Charges for services	-	-	48,535	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	31,312	-	-	-	30,000	-	3,175,561
Total receipts	<u>31,312</u>	<u>27,232</u>	<u>48,535</u>	<u>305,814</u>	<u>30,000</u>	<u>70,000</u>	<u>3,175,561</u>
Disbursements:							
Personal services	-	-	-	-	-	66,070	483,689
Supplies	-	-	-	-	-	-	-
Other services and charges	29,347	18,770	-	-	-	4,207	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	23,389	-	-	152,864	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	68,473	-	30,000	-	3,084,329
Total disbursements	<u>52,736</u>	<u>18,770</u>	<u>68,473</u>	<u>152,864</u>	<u>30,000</u>	<u>70,277</u>	<u>3,568,018</u>
Excess (deficiency) of receipts over disbursements	<u>(21,424)</u>	<u>8,462</u>	<u>(19,938)</u>	<u>152,950</u>	<u>-</u>	<u>(277)</u>	<u>(392,457)</u>
Cash and investments - ending	<u>\$ 52,249</u>	<u>\$ (9,780)</u>	<u>\$ 91,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,860</u>	<u>\$ 85,725</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Grant Tobacco Education	Rental Rehab	Police Vehicle Equipment	Firefighting Fund	Capital Equipment	Cemetery	Indiana Police And Fire Pension
Cash and investments - beginning	\$ 1,439	\$ 200,154	\$ 62,538	\$ 31,715	\$ 50,000	\$ 208,854	\$ 84,371
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	22,750	38,830	-	19,340	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	30,523	350,000	-	335,280
Total receipts	-	-	22,750	69,353	350,000	19,340	335,280
Disbursements:							
Personal services	-	-	-	50,523	-	-	-
Supplies	-	-	-	4,490	-	-	-
Other services and charges	50	-	14,051	11,490	-	3,285	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	350,000	21,213	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	50,000	410	340,216
Total disbursements	50	-	14,051	66,503	400,000	24,908	340,216
Excess (deficiency) of receipts over disbursements	(50)	-	8,699	2,850	(50,000)	(5,568)	(4,936)
Cash and investments - ending	\$ 1,389	\$ 200,154	\$ 71,237	\$ 34,565	\$ -	\$ 203,286	\$ 79,435

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Park Indiana Sales Tax	Park Gift Certificates	Park City Tree Ordinance	Park Impact Fees	Park Creekside Bond Debt Reserve	Redevelopment Debt Reserve
Cash and investments - beginning	\$ 878	\$ 47,201	\$ 1,974	\$ 256,253	\$ 200,864	\$ 468,900
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	23,493	14,607	-	415,730	248,865	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>23,493</u>	<u>14,607</u>	<u>-</u>	<u>415,730</u>	<u>248,865</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	237,041	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	23,323	12,184	662	339,927	-	-
Total disbursements	<u>23,323</u>	<u>12,184</u>	<u>662</u>	<u>339,927</u>	<u>237,041</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>170</u>	<u>2,423</u>	<u>(662)</u>	<u>75,803</u>	<u>11,824</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,048</u>	<u>\$ 49,624</u>	<u>\$ 1,312</u>	<u>\$ 332,056</u>	<u>\$ 212,688</u>	<u>\$ 468,900</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Transportation Dash	Dash Credit Card Revenue	Developer Deposits	Justice Assistance Grant	Grant Police Equipment	Park Bond & Interest
Cash and investments - beginning	\$ 411,052	\$ 8,928	\$ 16,889	\$ 3,774	\$ 34,590	\$ -
Receipts:						
Taxes	-	-	-	-	-	325,000
Licenses and permits	-	-	-	-	-	-
Intergovernmental	935,600	-	-	-	30,000	26,751
Charges for services	173,220	156,281	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	78	-	-	-	-
Total receipts	<u>1,108,820</u>	<u>156,359</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>351,751</u>
Disbursements:						
Personal services	12,432	-	-	-	-	-
Supplies	488,979	-	-	-	-	-
Other services and charges	104,068	4,369	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	350,525
Capital outlay	-	-	-	-	16,582	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	919	-	-	-	-	-
Total disbursements	<u>606,398</u>	<u>4,369</u>	<u>-</u>	<u>-</u>	<u>16,582</u>	<u>350,525</u>
Excess (deficiency) of receipts over disbursements	<u>502,422</u>	<u>151,990</u>	<u>-</u>	<u>-</u>	<u>13,418</u>	<u>1,226</u>
Cash and investments - ending	<u>\$ 913,474</u>	<u>\$ 160,918</u>	<u>\$ 16,889</u>	<u>\$ 3,774</u>	<u>\$ 48,008</u>	<u>\$ 1,226</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Debt Service Other	Cumulative Sewer	2006 Bond Issue	2002 Bond Issue	Redevelopment Consolidated Tif Area	Payroll
Cash and investments - beginning	\$ 206,669	\$ 1,259,827	\$ 24	\$ 597,352	\$ 15,783,475	\$ -
Receipts:						
Taxes	721,586	-	-	-	4,884,031	-
Licenses and permits	-	232,314	-	-	-	-
Intergovernmental	57,142	-	-	-	129,251	-
Charges for services	-	-	-	-	21,477	-
Fines and forfeits	-	-	-	-	78,320	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	125,000	-	-	-	440,729	11,120,716
Total receipts	<u>903,728</u>	<u>232,314</u>	<u>-</u>	<u>-</u>	<u>5,553,808</u>	<u>11,120,716</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	3,450	177,486	-	47,423	297,735	-
Debt service - principal and interest	653,466	-	-	-	722,500	-
Capital outlay	-	-	-	-	5,568,631	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	262,505	11,120,716
Total disbursements	<u>656,916</u>	<u>177,486</u>	<u>-</u>	<u>47,423</u>	<u>6,851,371</u>	<u>11,120,716</u>
Excess (deficiency) of receipts over disbursements	<u>246,812</u>	<u>54,828</u>	<u>-</u>	<u>(47,423)</u>	<u>(1,297,563)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 453,481</u>	<u>\$ 1,314,655</u>	<u>\$ 24</u>	<u>\$ 549,929</u>	<u>\$ 14,485,912</u>	<u>\$ -</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sign Deposit	Storm Water Utility-Operating	Storm Water Util-Bond And Interest	Stormwater Board Construction	Construction #2	Retainage
Cash and investments - beginning	\$ 1,000	\$ 1,954,866	\$ 283,163	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	44,766	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	2,170,208	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	49,487	660,363	6,369,385	1,307,905	93,731
Total receipts	-	2,264,461	660,363	6,369,385	1,307,905	93,731
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	838,706	-	-	-	-
Capital outlay	-	915,034	-	959,606	-	-
Utility operating expenses	-	466,645	-	-	-	-
Other disbursements	-	150	88,600	80,123	1,307,905	-
Total disbursements	-	2,220,535	88,600	1,039,729	1,307,905	-
Excess (deficiency) of receipts over disbursements	-	43,926	571,763	5,329,656	-	93,731
Cash and investments - ending	\$ 1,000	\$ 1,998,792	\$ 854,926	\$ 5,329,656	\$ -	\$ 93,731

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec Improve	Wastewater Utility Construction	Wastewater Utility Debt Reserve	Water Utility-Operating
Cash and investments - beginning	\$ 919,355	\$ 756,972	\$ 1,719,849	\$ 1,547,160	\$ 924,349	\$ 272,298
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	6,785,490	-	-	-	-	5,354,907
Penalties	66,095	-	-	-	-	53,031
Other receipts	750,970	1,880,461	1,269,715	1,857	12,361	1,601,524
Total receipts	7,602,555	1,880,461	1,269,715	1,857	12,361	7,009,462
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	23,896	1,764,400	-	-	-	64,040
Capital outlay	-	-	-	-	-	-
Utility operating expenses	4,274,777	-	-	-	-	4,242,178
Other disbursements	3,202,315	54,268	811,361	1,549,017	-	1,757,684
Total disbursements	7,500,988	1,818,668	811,361	1,549,017	-	6,063,902
Excess (deficiency) of receipts over disbursements	101,567	61,793	458,354	(1,547,160)	12,361	945,560
Cash and investments - ending	\$ 1,020,922	\$ 818,765	\$ 2,178,203	\$ -	\$ 936,710	\$ 1,217,858

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility Construction	Water Utility Improvement	Water Utility Debt Reserve	Totals
Cash and investments - beginning	\$ 194,384	\$ 228,155	\$ 1,884,622	\$ 5,522	\$ 784,220	\$ 46,073,373
Receipts:						
Taxes	-	-	-	-	-	21,753,157
Licenses and permits	-	-	-	-	-	827,016
Intergovernmental	-	-	-	-	-	6,518,163
Charges for services	-	-	-	-	-	4,035,363
Fines and forfeits	-	-	-	-	-	2,269,220
Utility fees	-	-	-	-	-	14,310,605
Penalties	-	-	-	-	-	119,126
Other receipts	779,854	5,646	1,412	1,865,000	-	44,494,827
Total receipts	779,854	5,646	1,412	1,865,000	-	94,327,477
Disbursements:						
Personal services	-	-	-	-	-	19,379,619
Supplies	-	-	-	-	-	2,121,713
Other services and charges	-	-	-	-	-	7,131,324
Debt service - principal and interest	778,719	-	-	-	-	9,309,664
Capital outlay	-	-	-	138,897	-	8,239,962
Utility operating expenses	-	-	-	-	-	8,983,600
Other disbursements	-	20,513	1,390,000	1,076,199	-	33,510,296
Total disbursements	778,719	20,513	1,390,000	1,215,096	-	88,676,178
Excess (deficiency) of receipts over disbursements	1,135	(14,867)	(1,388,588)	649,904	-	5,651,299
Cash and investments - ending	\$ 195,519	\$ 213,288	\$ 496,034	\$ 655,426	\$ 784,220	\$ 51,724,672

CITY OF VALPARAISO
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Centier Bank	Various Public Works Equipment	\$ 165,000	01-01-09	01-01-14
Centier Bank	(2) Side Loaded Garbage Trucks	75,000	10-01-09	01-01-14
De Lage Landen Public Finance	Electric Golf Carts	14,639	06-01-10	06-01-15
Ford Motor Credit	Squad Cars	45,068	06-08-10	06-08-13
Harris Bank	Fire Truck	92,779	01-01-12	01-01-16
Centier	Fire Truck	205,446	09-15-08	09-15-13
Key Gov't Finance	Squad Cars	45,931	04-15-09	04-15-12
LaPorte Chrysler	Squad Cars	39,100	12-01-11	11-30-14
Musco Sports Lighting LLC	Park Lighting	23,994	07-31-08	08-31-14
Vision Bank	Golf Simulators	25,284	01-30-08	12-30-16
Wells Fargo	Golf Equipment	11,349	01-15-10	12-15-14
Western Finance & Lease	Golf Course Equipment	<u>40,500</u>	01-15-10	12-15-14
Total governmental activities		<u>784,090</u>		
Storm Water:				
Centier Bank	Street Sweeper	<u>33,122</u>	01-01-09	01-01-14
Wastewater:				
Horizon Bank	2011 Tandem Dump Truck	23,896	10-14-10	10-14-13
Horizon Bank	2011 Vactor Truck	<u>85,813</u>	03-04-11	03-04-14
Total Wastewater		<u>109,709</u>		
Water:				
Horizon Bank	2010 Hydro Excavator	<u>64,040</u>	01-13-10	01-13-14
Total of annual lease payments		<u>\$ 990,961</u>		
Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year	
Governmental activities:				
General obligation bonds	2002 Street Construction/Reconstruction	\$ 2,160,000	\$ 236,753	
General obligation bonds	2005 Street Construction/Reconstruction	1,290,000	107,604	
General obligation bonds	2006 GO Bonds	3,880,000	311,129	
General obligation bonds	1998 Park GO Bond	675,000	356,050	
Revenue bonds	Park & Recreation Refunding Bonds of 2004	3,215,000	236,286	
Revenue bonds	Redevlopment District Tax Increment Revenue Bonds Series 2009	2,775,000	274,062	
Revenue bonds	Redevlopmnet District Special Taxing District Bonds Series 2006A	<u>3,690,000</u>	<u>449,950</u>	
Total governmental activities		<u>17,685,000</u>	<u>1,971,834</u>	
Storm Water:				
Revenue bonds	Stormwater Mgmt. District Revenue Bonds of 2011 Series A	6,065,000	574,250	
Revenue bonds	Stormwater Mgmt. District Revenue Bonds of 2011 Series B	<u>2,240,000</u>	<u>264,661</u>	
Total Storm Water		<u>8,305,000</u>	<u>838,911</u>	
Wastewater:				
Revenue bonds	Sewage Works Revenue Bonds of 2000	10,261,000	1,302,385	
Revenue bonds	Sewage Works Revenue Bonds of 2007	10,920,000	523,750	
Revenue bonds	Sewage Works Revenue Bonds of 2011	<u>1,533,000</u>	<u>106,207</u>	
Total Wastewater		<u>22,714,000</u>	<u>1,932,342</u>	
Water:				
Revenue bonds	Waterworks Revenue Bonds of 2002	5,710,000	668,493	
Revenue bonds	Waterworks Revenue Bonds of 2010	<u>2,220,000</u>	<u>109,408</u>	
Total Water		<u>7,930,000</u>	<u>777,901</u>	
Totals		<u>\$ 56,634,000</u>	<u>\$ 5,520,988</u>	

CITY OF VALPARAISO
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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:	
Land	\$ 7,548,047
Infrastructure	76,990,092
Buildings	16,990,991
Improvements other than buildings	5,956,945
Machinery, equipment and vehicles	12,755,609
Total governmental activities	120,241,684
Storm Water:	
Infrastructure	12,145,512
Wastewater:	
Land	575,915
Infrastructure	47,073,617
Buildings	21,173,908
Improvements other than buildings	12,406,403
Machinery, equipment and vehicles	10,232,098
Construction in progress	1,307,905
Books and other	154,723
Total Wastewater	92,924,569
Water:	
Land	338,282
Buildings	4,342,396
Improvements other than buildings	32,949,627
Machinery, equipment and vehicles	17,340,574
Construction in progress	255,467
Total Water	55,226,346
Total capital assets	\$ 280,538,111

CITY OF VALPARAISO
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Water and Water Reclamation Utilities

CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The annual report that was prepared and filed for the calendar year 2011 was incomplete. The Schedule of Payables and Receivables portion of the annual report was not completed for the City and the Utilities.

Indiana Code 5-11-1-4 (a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

BANK ACCOUNT RECONCILIATION

The City uses a third party to administer its health insurance claims. The City maintains a separate bank account for the transfer/payment of these employee health insurance claims. At December 31, 2011, the Employee Health Claims bank account did not reconcile to the balance reported in the City's funds ledger. The Employee Health Claims fund balance at December 31, 2011, was \$898.18; however, the reconciled bank balance showed a negative balance of \$26,299.32. This resulted in a difference of \$27,197.50 (bank short). The Clerk-Treasurer's personnel are currently working on determining why the bank does not reconcile to the fund balance.

Indiana Code 5-13-6-1 (e) states in part: "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 Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF VALPARAISO, PORTER COUNTY, INDIANA

Compliance

We have audited City of Valparaiso's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City'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 City's management. Our responsibility is to express an opinion on the City'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 City'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 City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City 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 City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The City's response to the findings identified in our audit is described in the accompanying Official Response. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, 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

September 4, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the City. The schedule and note are presented as intended by the City.

CITY OF VALPARAISO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

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
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
ARRA - Public Safety Partnership and Community Policing Grants Secure Our Schools	16.710	2010CKWX0624	\$ 70,000
Total for program			<u>70,000</u>
Direct Grant			
JAG Program Cluster			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government Upgrading Technology for Law Enforcement in Porter County	16.804	2009-SB-B9-1904	16,582
Total for program			<u>16,582</u>
Pass-Through Indiana Criminal Justice Institute			
ARRA - State Victim Compensation Formula Grant Program	16.802	OVC FY 10 VOCA	291
Total for program			<u>291</u>
Total for federal grantor agency			<u>86,873</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	DES #901277	868
		DES #810295	27,225
		DES #810564	260
		DES #800018	100,000
		DES #900076	101,770
		DES #900020	29,351
Total for program			<u>259,474</u>
Pass-Through Northwestern Indiana Regional Planning Commission			
Federal Transit Cluster			
Federal Transit Formula Grants			
V-Line	20.507	IN-95-X012, X023	239,759
Chicago Dash		IN-95-X012, X023	309,766
Total for program			<u>549,525</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF VALPARAISO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011
(Continued)

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
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Big City/Big County Seat Belt Enforcement		PT-11-04-04-31	<u>9,240</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants I			
Aggressive Driving Enforcement Program	20.601		3,876
DUI Task Force Enforcement Program			<u>6,559</u>
Total for program			<u>10,435</u>
Pass-Through City of Portage Police Department			
Safety Belt Performance Grant	20.609		<u>3,000</u>
Total for cluster			<u>22,675</u>
Total for federal grantor agency			<u>831,674</u>
<u>U.S. SMALL BUSINESS ADMINISTRATION</u>			
Direct Grant			
Congressional Grants	59.059	SBAHQ-10-I-0129	<u>250,000</u>
Total for federal grantor agency			<u>250,000</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Transportation			
ARRA - National Clean Diesel Emission Reduction Program	66.039		
CMAQ Grant for LPA Equipment		A249-10-321397	<u>200,884</u>
Total for federal grantor agency			<u>200,884</u>
Total federal awards expended			<u>\$ 1,369,431</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF VALPARAISO
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Valparaiso (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF VALPARAISO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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
66.039	Federal Transit Cluster ARRA – National Clean Diesel Emission Reduction Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF VALPARAISO
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2012, with Jon Costas, Mayor; Sharon Emerson Swihart, Clerk-Treasurer; and Bill Oeding, City Administrator. The Official Response has been made a part of this report and may be found on page 45.

September 4, 2012

To the Indiana State Board of Accounts:

This is being written as a response to an audit comment in the 2011 audit.

The Health Claims Account is a clearing account used by the third party administrator (TPA) to pay the medical bills and the fixed costs of our self insurance plan. The TPA writes the checks, provides us with a check register and we transfer the exact amount of the check register into the fund. We make a transfer and a payout every week. The TPA also reconciles the bank account because this fund is in a separate bank account from other city funds.

September 1, 2011, the city changed TPAs from EBC to Stewart Miller (SCM). Up until that time, the bank reconciliations done by the TPA had agreed with our fund/account balance per our books. We began to have a problem with the October bank reconciliation provided by SCM, which indicated a negative balance. We could not do a reconciliation ourselves as SCM got the bank statements and issued the checks. By December the negative balance (according to SCM's reconciliation) had grown and yet we were not notified of any overdraft by the bank.

We asked Centier Bank to send us a bank statement every month and we have also requested (at a cost to us) and we have received copies of cancelled checks. We have gone through the checks, month by month, comparing them to the register and the bank statements. We have found that SCM's reconciliation includes checks for the first draw of the next month. This appears to be the case in each month and is the reason they are showing a negative balance. For the last three months of the year everything including the bank reconciliation was done through SCM's Merrillville office including the check register. At the first of 2012, SCM closed the Merrillville office and began to do the reconciliation and the checks from their main office in Lafayette. From that time on, their reconciliation and our books agree.

Respectfully,



Sharon Emerson Swihart
Clerk-Treasurer