

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

VALPARAISO COMMUNITY SCHOOLS  
PORTER COUNTY, INDIANA

July 1, 2011 to June 30, 2013



**FILED**  
04/23/2014



## TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials .....   | 2           |
| Independent Auditor's Report .....  | 3-5         |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of the Financial Statement<br>Performed in Accordance With Government Auditing Standards ..... | 6-7         |
| Financial Statement:<br>Statement of Receipts, Disbursements, Other Financing Sources (Uses), and<br>Cash and Investment Balances – Regulatory Basis .....  | 11          |
| Notes to Financial Statement .....  | 12-17       |
| Supplementary Information - Unaudited:<br>Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and<br>Cash and Investment Balances – Regulatory Basis .....  | 20-29       |
| Schedule of Payables and Receivables .....  | 30          |
| Schedule of Leases and Debt .....   | 31          |
| Schedule of Capital Assets .....  | 33          |
| Other Report .....  | 34          |
| Audit Results and Comments:<br>Overdrawn Cash Balances .....  | 35          |
| Average Daily Membership (ADM) and Honors Diplomas –<br>Incorrect Reporting to the State .....  | 35          |
| Supplemental Audit of Federal Awards:<br>Independent Auditor's Report on Compliance for Each Major Federal Program and on<br>Internal Control Over Compliance .....   | 38-40       |
| Schedule of Expenditures of Federal Awards .....  | 42-43       |
| Notes to Schedule of Expenditures of Federal Awards .....   | 44          |
| Schedule of Findings and Questioned Costs .....   | 45-58       |
| Auditee Prepared Schedules:<br>Summary Schedule of Prior Audit Findings .....   | 59-65       |
| Corrective Action Plan .....  | 66-74       |
| Exit Conference .....   | 75          |
| Official Response .....   | 76          |

### SCHEDULE OF OFFICIALS

| <u>Office</u>                        | <u>Official</u>   | <u>Term</u>  |
|--------------------------------------|---|--|
| Treasurer/Chief<br>Financial Officer | Lynn A. Kwilasz<br>Sharon Qualkenbush   | 07-01-11 to 08-20-12<br>08-21-12 to 06-30-14   |
| Superintendent<br>of Schools         | Dr. Andrew T. Melin<br>Dr. James P. McCall (Interim)<br>(Vacant)<br>Michael J. Berta, Jr. | 07-01-10 to 06-30-12<br>07-01-12 to 08-01-12<br>08-02-12 to 08-06-12<br>08-07-12 to 06-30-14 |
| President of the<br>School Board     | A. James Sarkisian<br>Mark T. Maassel   | 07-01-11 to 06-30-12<br>07-01-12 to 06-30-14   |



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Valparaiso Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to June 30, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2014, 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 integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation'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 records used to prepare the financial statement. The information has been subjected to 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, 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.

*Other Information*

The School Corporation'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 School Corporation's response and, accordingly, we express no opinion on it.

  
Paul D. Joyce, CPA  
State Examiner

February 20, 2014



**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 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 VALPARAISO COMMUNITY SCHOOLS, PORTER COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Valparaiso Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2011 to June 30, 2013, and the related notes to the financial statement, and have issued our report thereon dated February 20, 2014, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S 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***

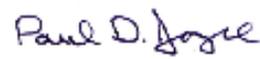
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002.

***Valparaiso Community Schools' Response to Findings***

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 20, 2014

(This page intentionally left blank.)

## FINANCIAL STATEMENT

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

(This page intentionally left blank.)

VALPARAISO COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2012 and 2013

|   | Cash and<br>Investments<br>07-01-11 | Receipts      | Disbursements | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-12 | Receipts      | Disbursements | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-13 |
|---|-------------------------------------|---------------|---------------|--------------------------------------|-------------------------------------|---------------|---------------|--------------------------------------|-------------------------------------|
| General   | \$ 17,496                           | \$ 37,448,883 | \$ 35,243,944 | \$ (4,115,145)                       | \$ (1,892,710)                      | \$ 38,018,461 | \$ 35,573,012 | \$ -                                 | \$ 552,739                          |
| Debt Service  | 755,684                             | 16,634,040    | 12,834,368    | 333,678                              | 4,889,034                           | 13,588,421    | 12,167,536    | -                                    | 6,309,919                           |
| Retirement/Severance Bond Debt Service                      | 20                                  | 2,231,053     | 1,735,938     | (1,882)                              | 493,253                             | 2,540,291     | 2,267,942     | -                                    | 765,602                             |
| Capital Projects  | 4,216,684                           | 6,718,410     | 9,265,339     | -                                    | 1,669,755                           | 6,484,989     | 5,637,728     | -                                    | 2,517,016                           |
| School Transportation                                       | 1,321,881                           | 2,933,747     | 3,057,118     | (193,745)                            | 1,004,765                           | 5,302,038     | 3,620,582     | -                                    | 2,686,221                           |
| School Bus Replacement                                      | 20                                  | 434,249       | -             | (5,330)                              | 428,939                             | 552,200       | 400,394       | -                                    | 580,745                             |
| Rainy Day   | 1,611,457                           | -             | 2,402,545     | 4,174,497                            | 3,383,409                           | -             | 1,900,078     | -                                    | 1,483,331                           |
| Retirement/Severance Bond                                   | 12,717,638                          | 17,297        | 729,243       | -                                    | 12,005,692                          | 38,264        | 1,001,461     | -                                    | 11,042,495                          |
| Post-Retirement/Severance Future Benefits                   | 151,773                             | -             | -             | -                                    | 151,773                             | -             | -             | -                                    | 151,773                             |
| School Lunch  | 1,310,584                           | 2,922,836     | 2,846,030     | -                                    | 1,387,390                           | 2,857,020     | 2,734,791     | -                                    | 1,509,619                           |
| Textbook Rental   | 645,639                             | 828,491       | 1,624,415     | -                                    | (150,285)                           | 1,057,197     | 699,810       | -                                    | 207,102                             |
| Self-Insurance  | 6,937,014                           | 4,573,032     | 4,757,287     | 5,416                                | 6,758,175                           | 4,667,213     | 4,814,384     | -                                    | 6,611,004                           |
| Alternative Education                                       | 32,947                              | 12,476        | 35,125        | -                                    | 10,298                              | 11,833        | 1,250         | -                                    | 20,881                              |
| SAFE School Haven   | -                                   | 10,000        | 15,000        | -                                    | (5,000)                             | 15,000        | 10,000        | -                                    | -                                   |
| Early Intervention Grant                                    | -                                   | -             | -             | -                                    | -                                   | 59,423        | 57,220        | -                                    | 2,203                               |
| Adult and Continuing Education                              | -                                   | 3,010         | 2,374         | -                                    | 636                                 | 4,650         | 3,017         | -                                    | 2,269                               |
| Little Bears  | 150                                 | -             | 150           | -                                    | -                                   | -             | -             | -                                    | -                                   |
| Peace Village   | 570                                 | -             | 570           | -                                    | -                                   | -             | -             | -                                    | -                                   |
| TJM Construction  | 458,112                             | 7,824         | -             | -                                    | 465,936                             | -             | -             | -                                    | 465,936                             |
| National Spanish Grant/Donation                             | -                                   | -             | -             | -                                    | -                                   | 75,993        | 56,393        | -                                    | 19,600                              |
| Gifts/Donations   | 39,299                              | 32,627        | 26,658        | -                                    | 45,268                              | 500,033       | 461,706       | -                                    | 83,595                              |
| High Ability  | 28,860                              | 51,004        | 79,564        | -                                    | 300                                 | 55,636        | 29,919        | -                                    | 26,017                              |
| Education Technology  | -                                   | -             | -             | -                                    | -                                   | 663,101       | 663,101       | -                                    | -                                   |
| Non-English Speaking Programs P.L. 273-1999                 | 4,208                               | 14,369        | 18,221        | -                                    | 356                                 | 14,119        | 13,379        | -                                    | 1,096                               |
| School Technology   | 10,474                              | 96,595        | 100,298       | -                                    | 6,771                               | 113,910       | 6,700         | -                                    | 113,981                             |
| SOS Grant   | -                                   | 319,585       | 320,402       | -                                    | (817)                               | 817           | -             | -                                    | -                                   |
| Student Testing/PCSAC                                       | (33,570)                            | 75,000        | 41,430        | -                                    | -                                   | 6,000         | 942           | -                                    | 5,058                               |
| Evisionary Conference                                       | -                                   | -             | -             | -                                    | -                                   | 3,555         | -             | -                                    | 3,555                               |
| Excess PTRC Distributions                                   | 178,961                             | -             | -             | (178,961)                            | -                                   | -             | -             | -                                    | -                                   |
| Title I   | 17,756                              | 369,214       | 456,057       | -                                    | (69,087)                            | 583,768       | 563,512       | -                                    | (48,831)                            |
| Title I, Part D   | 10,475                              | 9,274         | 15,579        | 1,427                                | 5,597                               | 18,705        | 30,645        | -                                    | (6,343)                             |
| Title I, Award  | -                                   | 15,864        | 24,252        | -                                    | (8,388)                             | 8,388         | -             | -                                    | -                                   |
| Learn and Serve   | 7,231                               | -             | 7,231         | -                                    | -                                   | -             | -             | -                                    | -                                   |
| Service Learning 2  | 23,364                              | -             | 23,364        | -                                    | -                                   | -             | -             | -                                    | -                                   |
| 05-06 Points of Lights                                      | 3,224                               | -             | 3,224         | -                                    | -                                   | -             | -             | -                                    | -                                   |
| (IDEA, Part B) LEA Capacity Building (Sliver) Grants        | -                                   | -             | -             | -                                    | -                                   | 55,713        | 55,713        | -                                    | -                                   |
| Team Nutrition Training Grants                              | -                                   | -             | -             | -                                    | -                                   | 1,500         | 1,500         | -                                    | -                                   |
| Improving Teaching Quality, No Child Left, Title II, Part A | (49,430)                            | 202,131       | 165,211       | -                                    | (12,510)                            | 97,957        | 106,470       | -                                    | (21,023)                            |
| Evisionary Grant  | -                                   | -             | -             | -                                    | -                                   | 634           | 731           | -                                    | (97)                                |
| Title III, Language Instruction                             | (526)                               | 659           | 17,142        | -                                    | (17,009)                            | 33,108        | 16,099        | -                                    | -                                   |
| Title I - Grants to LEAs                                    | 22,705                              | 11,248        | 22,705        | -                                    | 11,248                              | -             | 11,248        | -                                    | -                                   |
| Special Education - Part B                                  | (253,714)                           | 329,638       | 75,924        | -                                    | -                                   | -             | -             | -                                    | -                                   |
| Title I - Part D, Subpart 2                                 | 2,063                               | -             | 1,797         | -                                    | 266                                 | -             | 266           | -                                    | -                                   |
| Education Jobs  | -                                   | 1,140,135     | 1,140,135     | -                                    | -                                   | 23,280        | 23,280        | -                                    | -                                   |
| Clearing Account  | 170                                 | 9,414,625     | 9,373,222     | -                                    | 41,573                              | 8,996,088     | 9,030,813     | -                                    | 6,848                               |
| Totals  | \$ 30,189,219                       | \$ 86,857,316 | \$ 86,461,862 | \$ 19,955                            | \$ 30,604,628                       | \$ 86,449,305 | \$ 81,961,622 | \$ -                                 | \$ 35,092,311                       |

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

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources include distributions from the federal government and are to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

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

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Sale of capital assets which includes money received when land, buildings, or equipment owned by the School Corporation is sold.

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. 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 School Corporation. 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 School Corporation. 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 School Corporation 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 School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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.

**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.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

**Note 5. Risk Management**

The School Corporation 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 School Corporation 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 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 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

*Funding Policy and Annual Pension Cost*

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

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent 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.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF 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) 286-3544

*Funding Policy and Annual Pension Cost*

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.

**Note 7. Other Postemployment Benefits**

The School Corporation allows eligible retirees and their spouses to enroll in health and dental insurance with the retiree paying the full premium. These benefits pose a potential liability to the School Corporation for this year and in future years. Information regarding the benefits can be obtained by contacting the School Corporation.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. The General fund had a negative cash balance at times during the audit period. This was a result of state funding cuts in prior years which resulted in expenses exceeding revenue. Current administration has taken actions to balance the budget and reduce expenditures. In 2013, expenditures were approximately 3 percent under budget. No expenditures were taken from the Rainy Day fund. Administration will continue to take actions to assure that revenues exceed expenditures in 2014.

VALPARAISO COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

The Textbook Rental fund had a negative cash balance at times during the audit period. New collection procedures were implemented in early 2013 to improve the solvency of the fund.

Other cash balance deficits are the result of grant expenditures for which reimbursements had not been received prior to June 30, 2012, and June 30, 2013.

**Note 9. Holding Corporations**

The School Corporation has entered into capital leases with Valparaiso Middle School Building Corporation and Valparaiso Multi-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 years 2012 and 2013 totaled \$6,872,000 and \$8,683,000, respectively.

**Note 10. Subsequent Events**

The Valparaiso Multi-School Building Corporation issued First Mortgage Bonds, Series 2013 in the amount of \$12,000,000 for the purpose of completing deferred maintenance projects throughout the district. The bonds closed on December 18, 2013. The School Corporation will repay the bonds through lease payments over a four year period beginning in 2014.

(This page intentionally left blank.)

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are 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 School Corporation. It is presented as intended by the School Corporation.

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012

|   | General               | Debt Service        | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day        | Retirement/<br>Severance<br>Bond | Post<br>Retirement/<br>Severance<br>Future<br>Benefits | School<br>Lunch     |
|---|-----------------------|---------------------|---|---------------------|--------------------------|------------------------------|---------------------|----------------------------------|--|---------------------|
| Cash and investments - beginning  | \$ 17,496             | \$ 755,684          | \$ 20   | \$ 4,216,684        | \$ 1,321,881             | \$ 20                        | \$ 1,611,457        | \$ 12,717,638                    | \$ 151,773   | \$ 1,310,584        |
| Receipts:   |                       |                     |   |                     |                          |                              |                     |                                  |  |                     |
| Local sources   | 2,080,623             | 9,778,240           | 1,415,053   | 5,022,900           | 2,933,747                | 434,249                      | -                   | 17,297                           | -  | 1,890,152           |
| Intermediate sources  | 34,539                | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | -                   |
| State sources   | 35,333,721            | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | -                   |
| Federal sources   | -                     | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | 1,032,684           |
| Temporary loans   | -                     | 6,855,800           | 816,000   | 1,694,400           | -                        | -                            | -                   | -                                | -  | -                   |
| Other   | -                     | -                   | -   | 1,110               | -                        | -                            | -                   | -                                | -  | -                   |
| Total receipts  | <u>37,448,883</u>     | <u>16,634,040</u>   | <u>2,231,053</u>                                    | <u>6,718,410</u>    | <u>2,933,747</u>         | <u>434,249</u>               | <u>-</u>            | <u>17,297</u>                    | <u>-</u>   | <u>2,922,836</u>    |
| Disbursements:  |                       |                     |   |                     |                          |                              |                     |                                  |  |                     |
| Current:  |                       |                     |   |                     |                          |                              |                     |                                  |  |                     |
| Instruction   | 25,686,993            | -                   | -   | -                   | -                        | -                            | 1,957,583           | -                                | -  | -                   |
| Support services  | 8,783,520             | -                   | -   | 2,533,956           | 3,057,118                | -                            | 392,324             | 729,243                          | -  | -                   |
| Noninstructional services   | 773,431               | -                   | -   | -                   | -                        | -                            | 52,638              | -                                | -  | 2,846,030           |
| Facilities acquisition and construction   | -                     | -                   | -   | 4,215,383           | -                        | -                            | -                   | -                                | -  | -                   |
| Debt services   | -                     | 12,834,368          | 1,735,938   | 2,516,000           | -                        | -                            | -                   | -                                | -  | -                   |
| Nonprogrammed charges   | -                     | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | -                   |
| Total disbursements   | <u>35,243,944</u>     | <u>12,834,368</u>   | <u>1,735,938</u>                                    | <u>9,265,339</u>    | <u>3,057,118</u>         | <u>-</u>                     | <u>2,402,545</u>    | <u>729,243</u>                   | <u>-</u>   | <u>2,846,030</u>    |
| Excess (deficiency) of receipts over disbursements  | <u>2,204,939</u>      | <u>3,799,672</u>    | <u>495,115</u>                                      | <u>(2,546,929)</u>  | <u>(123,371)</u>         | <u>434,249</u>               | <u>(2,402,545)</u>  | <u>(711,946)</u>                 | <u>-</u>   | <u>76,806</u>       |
| Other financing sources (uses):   |                       |                     |   |                     |                          |                              |                     |                                  |  |                     |
| Sale of capital assets  | 24,537                | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | -                   |
| Transfers in  | 9,284                 | 352,961             | 19,800  | -                   | 55                       | -                            | 4,174,497           | -                                | -  | -                   |
| Transfers out   | (4,148,966)           | (19,283)            | (21,682)  | -                   | (193,800)                | (5,330)                      | -                   | -                                | -  | -                   |
| Total other financing sources (uses)  | <u>(4,115,145)</u>    | <u>333,678</u>      | <u>(1,882)</u>                                      | <u>-</u>            | <u>(193,745)</u>         | <u>(5,330)</u>               | <u>4,174,497</u>    | <u>-</u>                         | <u>-</u>   | <u>-</u>            |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(1,910,206)</u>    | <u>4,133,350</u>    | <u>493,233</u>                                      | <u>(2,546,929)</u>  | <u>(317,116)</u>         | <u>428,919</u>               | <u>1,771,952</u>    | <u>(711,946)</u>                 | <u>-</u>   | <u>76,806</u>       |
| Cash and investments - ending   | <u>\$ (1,892,710)</u> | <u>\$ 4,889,034</u> | <u>\$ 493,253</u>                                   | <u>\$ 1,669,755</u> | <u>\$ 1,004,765</u>      | <u>\$ 428,939</u>            | <u>\$ 3,383,409</u> | <u>\$ 12,005,692</u>             | <u>\$ 151,773</u>                                      | <u>\$ 1,387,390</u> |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

|   | Textbook<br>Rental  | Self-<br>Insurance  | Alternative<br>Education | SAFE<br>School<br>Haven | Early<br>Intervention<br>Grant | Adult<br>and<br>Continuing<br>Education | Little<br>Bears | Peace<br>Village | TJM<br>Construction | National<br>Spanish<br>Grant/Donation |
|---|---------------------|---------------------|--------------------------|-------------------------|--------------------------------|---|-----------------|------------------|---------------------|---------------------------------------|
| Cash and investments - beginning  | \$ 645,639          | \$ 6,937,014        | \$ 32,947                | \$ -                    | \$ -                           | \$ -                                    | \$ 150          | \$ 570           | \$ 458,112          | \$ -                                  |
| Receipts:   |                     |                     |                          |                         |                                |   |                 |                  |                     |                                       |
| Local sources   | 795,751             | 4,573,032           | -                        | -                       | -                              | 3,010                                   | -               | -                | 7,824               | -                                     |
| Intermediate sources  | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| State sources   | 32,740              | -                   | 12,476                   | 10,000                  | -                              | -                                       | -               | -                | -                   | -                                     |
| Federal sources   | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Temporary loans   | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Other   | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Total receipts  | <u>828,491</u>      | <u>4,573,032</u>    | <u>12,476</u>            | <u>10,000</u>           | <u>-</u>                       | <u>3,010</u>                            | <u>-</u>        | <u>-</u>         | <u>7,824</u>        | <u>-</u>                              |
| Disbursements:  |                     |                     |                          |                         |                                |   |                 |                  |                     |                                       |
| Current:  |                     |                     |                          |                         |                                |   |                 |                  |                     |                                       |
| Instruction   | -                   | -                   | 35,125                   | -                       | -                              | -                                       | 150             | 570              | -                   | -                                     |
| Support services  | 1,624,415           | -                   | -                        | 15,000                  | -                              | -                                       | -               | -                | -                   | -                                     |
| Noninstructional services   | -                   | -                   | -                        | -                       | -                              | 2,374                                   | -               | -                | -                   | -                                     |
| Facilities acquisition and construction   | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Debt services   | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Nonprogrammed charges   | -                   | 4,757,287           | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Total disbursements   | <u>1,624,415</u>    | <u>4,757,287</u>    | <u>35,125</u>            | <u>15,000</u>           | <u>-</u>                       | <u>2,374</u>                            | <u>150</u>      | <u>570</u>       | <u>-</u>            | <u>-</u>                              |
| Excess (deficiency) of receipts over disbursements  | <u>(795,924)</u>    | <u>(184,255)</u>    | <u>(22,649)</u>          | <u>(5,000)</u>          | <u>-</u>                       | <u>636</u>                              | <u>(150)</u>    | <u>(570)</u>     | <u>7,824</u>        | <u>-</u>                              |
| Other financing sources (uses):   |                     |                     |                          |                         |                                |   |                 |                  |                     |                                       |
| Sale of capital assets  | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Transfers in  | -                   | 5,416               | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Transfers out   | -                   | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Total other financing sources (uses)  | <u>-</u>            | <u>5,416</u>        | <u>-</u>                 | <u>-</u>                | <u>-</u>                       | <u>-</u>                                | <u>-</u>        | <u>-</u>         | <u>-</u>            | <u>-</u>                              |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(795,924)</u>    | <u>(178,839)</u>    | <u>(22,649)</u>          | <u>(5,000)</u>          | <u>-</u>                       | <u>636</u>                              | <u>(150)</u>    | <u>(570)</u>     | <u>7,824</u>        | <u>-</u>                              |
| Cash and investments - ending   | <u>\$ (150,285)</u> | <u>\$ 6,758,175</u> | <u>\$ 10,298</u>         | <u>\$ (5,000)</u>       | <u>\$ -</u>                    | <u>\$ 636</u>                           | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ 465,936</u>   | <u>\$ -</u>                           |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

|   | Gifts/<br>Donations | High<br>Ability | Education<br>Technology | Non-English<br>Speaking<br>Programs<br>P.L. 273-1999 | School<br>Technology | SOS<br>Grant    | Student<br>Testing/<br>PCSAC | Evisionary<br>Conference | Excess<br>PTRC<br>Distributions |
|---|---------------------|-----------------|-------------------------|--|----------------------|-----------------|------------------------------|--------------------------|---------------------------------|
| Cash and investments - beginning  | \$ 39,299           | \$ 28,860       | \$ -                    | \$ 4,208   | \$ 10,474            | \$ -            | \$ (33,570)                  | \$ -                     | \$ 178,961                      |
| Receipts:   |                     |                 |                         |  |                      |                 |                              |                          |                                 |
| Local sources   | 29,172              | -               | -                       | -  | 88,212               | -               | -                            | -                        | -                               |
| Intermediate sources  | 3,455               | -               | -                       | -  | -                    | -               | 75,000                       | -                        | -                               |
| State sources   | -                   | 51,004          | -                       | 14,369   | 8,383                | 319,585         | -                            | -                        | -                               |
| Federal sources   | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Temporary loans   | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Other   | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Total receipts  | <u>32,627</u>       | <u>51,004</u>   | <u>-</u>                | <u>14,369</u>  | <u>96,595</u>        | <u>319,585</u>  | <u>75,000</u>                | <u>-</u>                 | <u>-</u>                        |
| Disbursements:  |                     |                 |                         |  |                      |                 |                              |                          |                                 |
| Current:  |                     |                 |                         |  |                      |                 |                              |                          |                                 |
| Instruction   | 23,658              | 79,564          | -                       | 16,260   | 11,640               | -               | 41,430                       | -                        | -                               |
| Support services  | 3,000               | -               | -                       | 1,961  | 88,658               | -               | -                            | -                        | -                               |
| Noninstructional services   | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Facilities acquisition and construction   | -                   | -               | -                       | -  | -                    | 320,402         | -                            | -                        | -                               |
| Debt services   | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Nonprogrammed charges   | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Total disbursements   | <u>26,658</u>       | <u>79,564</u>   | <u>-</u>                | <u>18,221</u>  | <u>100,298</u>       | <u>320,402</u>  | <u>41,430</u>                | <u>-</u>                 | <u>-</u>                        |
| Excess (deficiency) of receipts over disbursements  | <u>5,969</u>        | <u>(28,560)</u> | <u>-</u>                | <u>(3,852)</u>                                       | <u>(3,703)</u>       | <u>(817)</u>    | <u>33,570</u>                | <u>-</u>                 | <u>-</u>                        |
| Other financing sources (uses):   |                     |                 |                         |  |                      |                 |                              |                          |                                 |
| Sale of capital assets  | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Transfers in  | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | -                               |
| Transfers out   | -                   | -               | -                       | -  | -                    | -               | -                            | -                        | (178,961)                       |
| Total other financing sources (uses)  | <u>-</u>            | <u>-</u>        | <u>-</u>                | <u>-</u>   | <u>-</u>             | <u>-</u>        | <u>-</u>                     | <u>-</u>                 | <u>(178,961)</u>                |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>5,969</u>        | <u>(28,560)</u> | <u>-</u>                | <u>(3,852)</u>                                       | <u>(3,703)</u>       | <u>(817)</u>    | <u>33,570</u>                | <u>-</u>                 | <u>(178,961)</u>                |
| Cash and investments - ending   | <u>\$ 45,268</u>    | <u>\$ 300</u>   | <u>\$ -</u>             | <u>\$ 356</u>  | <u>\$ 6,771</u>      | <u>\$ (817)</u> | <u>\$ -</u>                  | <u>\$ -</u>              | <u>\$ -</u>                     |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

|   | Title I            | Title I,<br>Part D | Title I,<br>Award | Learn and<br>Serve | Service<br>Learning 2 | 05-06 Points<br>of Lights | (IDEA, Part B)<br>LEA Capacity<br>Building<br>(Sliver)<br>Grants | Drug<br>Free<br>Schools | Team<br>Nutrition<br>Training<br>Grants |
|---|--------------------|--------------------|-------------------|--------------------|-----------------------|---------------------------|--|-------------------------|---|
| Cash and investments - beginning  | \$ 17,756          | \$ 10,475          | \$ -              | \$ 7,231           | \$ 23,364             | \$ 3,224                  | \$ -   | \$ -                    | \$ -                                    |
| Receipts:   |                    |                    |                   |                    |                       |                           |  |                         |   |
| Local sources   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Intermediate sources  | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| State sources   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Federal sources   | 369,214            | 9,274              | 15,864            | -                  | -                     | -                         | -  | -                       | -                                       |
| Temporary loans   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Other   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Total receipts  | <u>369,214</u>     | <u>9,274</u>       | <u>15,864</u>     | <u>-</u>           | <u>-</u>              | <u>-</u>                  | <u>-</u>   | <u>-</u>                | <u>-</u>                                |
| Disbursements:  |                    |                    |                   |                    |                       |                           |  |                         |   |
| Current:  |                    |                    |                   |                    |                       |                           |  |                         |   |
| Instruction   | 419,664            | 9,429              | 8,387             | 7,231              | 23,364                | 3,224                     | -  | -                       | -                                       |
| Support services  | 28,236             | 6,150              | 15,865            | -                  | -                     | -                         | -  | -                       | -                                       |
| Noninstructional services   | 8,157              | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Facilities acquisition and construction   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Debt services   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Nonprogrammed charges   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Total disbursements   | <u>456,057</u>     | <u>15,579</u>      | <u>24,252</u>     | <u>7,231</u>       | <u>23,364</u>         | <u>3,224</u>              | <u>-</u>   | <u>-</u>                | <u>-</u>                                |
| Excess (deficiency) of receipts over disbursements  | <u>(86,843)</u>    | <u>(6,305)</u>     | <u>(8,388)</u>    | <u>(7,231)</u>     | <u>(23,364)</u>       | <u>(3,224)</u>            | <u>-</u>   | <u>-</u>                | <u>-</u>                                |
| Other financing sources (uses):   |                    |                    |                   |                    |                       |                           |  |                         |   |
| Sale of capital assets  | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Transfers in  | -                  | 1,427              | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Transfers out   | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Total other financing sources (uses)  | <u>-</u>           | <u>1,427</u>       | <u>-</u>          | <u>-</u>           | <u>-</u>              | <u>-</u>                  | <u>-</u>   | <u>-</u>                | <u>-</u>                                |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>(86,843)</u>    | <u>(4,878)</u>     | <u>(8,388)</u>    | <u>(7,231)</u>     | <u>(23,364)</u>       | <u>(3,224)</u>            | <u>-</u>   | <u>-</u>                | <u>-</u>                                |
| Cash and investments - ending   | <u>\$ (69,087)</u> | <u>\$ 5,597</u>    | <u>\$ (8,388)</u> | <u>\$ -</u>        | <u>\$ -</u>           | <u>\$ -</u>               | <u>\$ -</u>  | <u>\$ -</u>             | <u>\$ -</u>                             |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2012  
 (Continued)

|   | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A | Evisionary<br>Grant | Title III,<br>Language<br>Instruction | Title I -<br>Grants<br>to LEAs | Special<br>Education -<br>Part B | Title I<br>Part D<br>Subpart 2 | Education<br>Jobs | Clearing<br>Account | Totals               |
|---|--|---------------------|---------------------------------------|--------------------------------|----------------------------------|--------------------------------|-------------------|---------------------|----------------------|
| Cash and investments - beginning  | \$ (49,430)  | \$ -                | \$ (526)                              | \$ 22,705                      | \$ (253,714)                     | \$ 2,063                       | \$ -              | \$ 170              | \$ 30,189,219        |
| Receipts:   |  |                     |                                       |                                |                                  |                                |                   |                     |                      |
| Local sources   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 29,069,262           |
| Intermediate sources  | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 112,994              |
| State sources   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 35,782,278           |
| Federal sources   | 202,131  | -                   | 659                                   | 11,248                         | 329,638                          | -                              | 1,140,135         | -                   | 3,110,847            |
| Temporary loans   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 9,366,200            |
| Other   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | 9,414,625           | 9,415,735            |
| Total receipts  | <u>202,131</u>   | <u>-</u>            | <u>659</u>                            | <u>11,248</u>                  | <u>329,638</u>                   | <u>-</u>                       | <u>1,140,135</u>  | <u>9,414,625</u>    | <u>86,857,316</u>    |
| Disbursements:  |  |                     |                                       |                                |                                  |                                |                   |                     |                      |
| Current:  |  |                     |                                       |                                |                                  |                                |                   |                     |                      |
| Instruction   | 155,927  | -                   | 17,142                                | (4,772)                        | 75,924                           | 1,797                          | 1,108,933         | -                   | 29,679,223           |
| Support services  | -  | -                   | -                                     | 27,477                         | -                                | -                              | 31,202            | -                   | 17,338,125           |
| Noninstructional services   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 3,682,630            |
| Facilities acquisition and construction   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 4,535,785            |
| Debt services   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 17,086,306           |
| Nonprogrammed charges   | 9,284  | -                   | -                                     | -                              | -                                | -                              | -                 | 9,373,222           | 14,139,793           |
| Total disbursements   | <u>165,211</u>   | <u>-</u>            | <u>17,142</u>                         | <u>22,705</u>                  | <u>75,924</u>                    | <u>1,797</u>                   | <u>1,140,135</u>  | <u>9,373,222</u>    | <u>86,461,862</u>    |
| Excess (deficiency) of receipts over disbursements  | <u>36,920</u>  | <u>-</u>            | <u>(16,483)</u>                       | <u>(11,457)</u>                | <u>253,714</u>                   | <u>(1,797)</u>                 | <u>-</u>          | <u>41,403</u>       | <u>395,454</u>       |
| Other financing sources (uses):   |  |                     |                                       |                                |                                  |                                |                   |                     |                      |
| Sale of capital assets  | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 24,537               |
| Transfers in  | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 4,563,440            |
| Transfers out   | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | (4,568,022)          |
| Total other financing sources (uses)  | <u>-</u>   | <u>-</u>            | <u>-</u>                              | <u>-</u>                       | <u>-</u>                         | <u>-</u>                       | <u>-</u>          | <u>-</u>            | <u>19,955</u>        |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>36,920</u>  | <u>-</u>            | <u>(16,483)</u>                       | <u>(11,457)</u>                | <u>253,714</u>                   | <u>(1,797)</u>                 | <u>-</u>          | <u>41,403</u>       | <u>415,409</u>       |
| Cash and investments - ending   | <u>\$ (12,510)</u>   | <u>\$ -</u>         | <u>\$ (17,009)</u>                    | <u>\$ 11,248</u>               | <u>\$ -</u>                      | <u>\$ 266</u>                  | <u>\$ -</u>       | <u>\$ 41,573</u>    | <u>\$ 30,604,628</u> |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013

|  | General           | Debt Service        | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day        | Retirement/<br>Severance<br>Bond | Post<br>Retirement/<br>Severance<br>Future<br>Benefits | School<br>Lunch     |
|--|-------------------|---------------------|---|---------------------|--------------------------|------------------------------|---------------------|----------------------------------|--|---------------------|
| Cash and investments - beginning                   | \$ (1,892,710)    | \$ 4,889,034        | \$ 493,253  | \$ 1,669,755        | \$ 1,004,765             | \$ 428,939                   | \$ 3,383,409        | \$ 12,005,692                    | \$ 151,773   | \$ 1,387,390        |
| Receipts:  |                   |                     |   |                     |                          |                              |                     |                                  |  |                     |
| Local sources                                      | 1,832,295         | 9,945,721           | 1,540,291   | 4,483,916           | 3,086,038                | 552,200                      | -                   | 38,264                           | -  | 1,764,295           |
| Intermediate sources                               | 1,071             | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | -                   |
| State sources                                      | 36,185,095        | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | -                   |
| Federal sources                                    | -                 | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | 1,092,725           |
| Temporary loans                                    | -                 | 3,642,700           | 1,000,000   | 2,000,000           | 2,216,000                | -                            | -                   | -                                | -  | -                   |
| Other  | -                 | -                   | -   | 1,073               | -                        | -                            | -                   | -                                | -  | -                   |
| Total receipts                                     | <u>38,018,461</u> | <u>13,588,421</u>   | <u>2,540,291</u>                                    | <u>6,484,989</u>    | <u>5,302,038</u>         | <u>552,200</u>               | <u>-</u>            | <u>38,264</u>                    | <u>-</u>   | <u>2,857,020</u>    |
| Disbursements:                                     |                   |                     |   |                     |                          |                              |                     |                                  |  |                     |
| Current:   |                   |                     |   |                     |                          |                              |                     |                                  |  |                     |
| Instruction  | 25,012,235        | -                   | -   | -                   | -                        | -                            | 1,600,077           | -                                | -  | -                   |
| Support services                                   | 9,779,035         | -                   | -   | 1,943,712           | 2,683,582                | 400,394                      | 300,001             | 1,001,461                        | -  | -                   |
| Noninstructional services                          | 781,742           | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | 2,734,791           |
| Facilities acquisition and construction            | -                 | -                   | -   | 1,894,616           | -                        | -                            | -                   | -                                | -  | -                   |
| Debt services                                      | -                 | 12,167,536          | 2,267,942   | 1,799,400           | 937,000                  | -                            | -                   | -                                | -  | -                   |
| Nonprogrammed charges                              | -                 | -                   | -   | -                   | -                        | -                            | -                   | -                                | -  | -                   |
| Total disbursements                                | <u>35,573,012</u> | <u>12,167,536</u>   | <u>2,267,942</u>                                    | <u>5,637,728</u>    | <u>3,620,582</u>         | <u>400,394</u>               | <u>1,900,078</u>    | <u>1,001,461</u>                 | <u>-</u>   | <u>2,734,791</u>    |
| Excess (deficiency) of receipts over disbursements | <u>2,445,449</u>  | <u>1,420,885</u>    | <u>272,349</u>                                      | <u>847,261</u>      | <u>1,681,456</u>         | <u>151,806</u>               | <u>(1,900,078)</u>  | <u>(963,197)</u>                 | <u>-</u>   | <u>122,229</u>      |
| Cash and investments - ending                      | <u>\$ 552,739</u> | <u>\$ 6,309,919</u> | <u>\$ 765,602</u>                                   | <u>\$ 2,517,016</u> | <u>\$ 2,686,221</u>      | <u>\$ 580,745</u>            | <u>\$ 1,483,331</u> | <u>\$ 11,042,495</u>             | <u>\$ 151,773</u>                                      | <u>\$ 1,509,619</u> |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|  | Textbook<br>Rental | Self-<br>Insurance  | Alternative<br>Education | SAFE<br>School<br>Haven | Early<br>Intervention<br>Grant | Adult<br>and<br>Continuing<br>Education | Little<br>Bears | Peace<br>Village | TJM<br>Construction | National<br>Spanish<br>Grant/Donation |
|--|--------------------|---------------------|--------------------------|-------------------------|--------------------------------|---|-----------------|------------------|---------------------|---------------------------------------|
| Cash and investments - beginning                   | \$ (150,285)       | \$ 6,758,175        | \$ 10,298                | \$ (5,000)              | \$ -                           | \$ 636                                  | \$ -            | \$ -             | \$ 465,936          | \$ -                                  |
| Receipts:  |                    |                     |                          |                         |                                |   |                 |                  |                     |                                       |
| Local sources                                      | 1,057,197          | 4,667,213           | -                        | -                       | -                              | 4,650                                   | -               | -                | -                   | 75,993                                |
| Intermediate sources                               | -                  | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| State sources                                      | -                  | -                   | 11,833                   | 15,000                  | 59,423                         | -                                       | -               | -                | -                   | -                                     |
| Federal sources                                    | -                  | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Temporary loans                                    | -                  | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Other  | -                  | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Total receipts                                     | <u>1,057,197</u>   | <u>4,667,213</u>    | <u>11,833</u>            | <u>15,000</u>           | <u>59,423</u>                  | <u>4,650</u>                            | <u>-</u>        | <u>-</u>         | <u>-</u>            | <u>75,993</u>                         |
| Disbursements:                                     |                    |                     |                          |                         |                                |   |                 |                  |                     |                                       |
| Current:   |                    |                     |                          |                         |                                |   |                 |                  |                     |                                       |
| Instruction  | -                  | -                   | 1,250                    | -                       | -                              | -                                       | -               | -                | -                   | 56,393                                |
| Support services                                   | 699,810            | 6,544               | -                        | 10,000                  | 57,220                         | 40                                      | -               | -                | -                   | -                                     |
| Noninstructional services                          | -                  | -                   | -                        | -                       | -                              | 2,977                                   | -               | -                | -                   | -                                     |
| Facilities acquisition and construction            | -                  | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Debt services                                      | -                  | -                   | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Nonprogrammed charges                              | -                  | 4,807,840           | -                        | -                       | -                              | -                                       | -               | -                | -                   | -                                     |
| Total disbursements                                | <u>699,810</u>     | <u>4,814,384</u>    | <u>1,250</u>             | <u>10,000</u>           | <u>57,220</u>                  | <u>3,017</u>                            | <u>-</u>        | <u>-</u>         | <u>-</u>            | <u>56,393</u>                         |
| Excess (deficiency) of receipts over disbursements | <u>357,387</u>     | <u>(147,171)</u>    | <u>10,583</u>            | <u>5,000</u>            | <u>2,203</u>                   | <u>1,633</u>                            | <u>-</u>        | <u>-</u>         | <u>-</u>            | <u>19,600</u>                         |
| Cash and investments - ending                      | <u>\$ 207,102</u>  | <u>\$ 6,611,004</u> | <u>\$ 20,881</u>         | <u>\$ -</u>             | <u>\$ 2,203</u>                | <u>\$ 2,269</u>                         | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ 465,936</u>   | <u>\$ 19,600</u>                      |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|  | Gifts/<br>Donations | High<br>Ability  | Education<br>Technology | Non-English<br>Speaking<br>Programs<br>P.L. 273-1999 | School<br>Technology | SOS<br>Grant | Student<br>Testing/<br>PCSAC | Evisionary<br>Conference | Excess<br>PTRC<br>Distributions |
|--|---------------------|------------------|-------------------------|--|----------------------|--------------|------------------------------|--------------------------|---------------------------------|
| Cash and investments - beginning                   | \$ 45,268           | \$ 300           | \$ -                    | \$ 356   | \$ 6,771             | \$ (817)     | \$ -                         | \$ -                     | \$ -                            |
| Receipts:  |                     |                  |                         |  |                      |              |                              |                          |                                 |
| Local sources                                      | 500,033             | -                | -                       | -  | 105,243              | -            | -                            | -                        | -                               |
| Intermediate sources                               | -                   | -                | -                       | -  | -                    | -            | 6,000                        | -                        | -                               |
| State sources                                      | -                   | 55,636           | 663,101                 | 14,119   | 8,667                | 817          | -                            | -                        | -                               |
| Federal sources                                    | -                   | -                | -                       | -  | -                    | -            | -                            | 3,555                    | -                               |
| Temporary loans                                    | -                   | -                | -                       | -  | -                    | -            | -                            | -                        | -                               |
| Other  | -                   | -                | -                       | -  | -                    | -            | -                            | -                        | -                               |
| Total receipts                                     | <u>500,033</u>      | <u>55,636</u>    | <u>663,101</u>          | <u>14,119</u>  | <u>113,910</u>       | <u>817</u>   | <u>6,000</u>                 | <u>3,555</u>             | <u>-</u>                        |
| Disbursements:                                     |                     |                  |                         |  |                      |              |                              |                          |                                 |
| Current:   |                     |                  |                         |  |                      |              |                              |                          |                                 |
| Instruction  | 459,472             | 29,619           | -                       | 13,025   | 4,450                | -            | -                            | -                        | -                               |
| Support services                                   | 2,234               | 300              | 663,101                 | 354  | 2,250                | -            | 942                          | -                        | -                               |
| Noninstructional services                          | -                   | -                | -                       | -  | -                    | -            | -                            | -                        | -                               |
| Facilities acquisition and construction            | -                   | -                | -                       | -  | -                    | -            | -                            | -                        | -                               |
| Debt services                                      | -                   | -                | -                       | -  | -                    | -            | -                            | -                        | -                               |
| Nonprogrammed charges                              | -                   | -                | -                       | -  | -                    | -            | -                            | -                        | -                               |
| Total disbursements                                | <u>461,706</u>      | <u>29,919</u>    | <u>663,101</u>          | <u>13,379</u>  | <u>6,700</u>         | <u>-</u>     | <u>942</u>                   | <u>-</u>                 | <u>-</u>                        |
| Excess (deficiency) of receipts over disbursements | <u>38,327</u>       | <u>25,717</u>    | <u>-</u>                | <u>740</u>   | <u>107,210</u>       | <u>817</u>   | <u>5,058</u>                 | <u>3,555</u>             | <u>-</u>                        |
| Cash and investments - ending                      | <u>\$ 83,595</u>    | <u>\$ 26,017</u> | <u>\$ -</u>             | <u>\$ 1,096</u>                                      | <u>\$ 113,981</u>    | <u>\$ -</u>  | <u>\$ 5,058</u>              | <u>\$ 3,555</u>          | <u>\$ -</u>                     |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|  | Title I            | Title I,<br>Part D | Title I,<br>Award | Learn and<br>Serve | Service<br>Learning 2 | 05-06 Points<br>of Lights | (IDEA, Part B)<br>LEA Capacity<br>Building<br>(Sliver)<br>Grants | Drug<br>Free<br>Schools | Team<br>Nutrition<br>Training<br>Grants |
|--|--------------------|--------------------|-------------------|--------------------|-----------------------|---------------------------|--|-------------------------|---|
| Cash and investments - beginning                   | \$ (69,087)        | \$ 5,597           | \$ (8,388)        | \$ -               | \$ -                  | \$ -                      | \$ -   | \$ -                    | \$ -                                    |
| Receipts:  |                    |                    |                   |                    |                       |                           |  |                         |   |
| Local sources                                      | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Intermediate sources                               | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| State sources                                      | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Federal sources                                    | 583,768            | 18,705             | 8,388             | -                  | -                     | -                         | 55,713   | -                       | 1,500                                   |
| Temporary loans                                    | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Other  | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Total receipts                                     | <u>583,768</u>     | <u>18,705</u>      | <u>8,388</u>      | <u>-</u>           | <u>-</u>              | <u>-</u>                  | <u>55,713</u>  | <u>-</u>                | <u>1,500</u>                            |
| Disbursements:                                     |                    |                    |                   |                    |                       |                           |  |                         |   |
| Current:   |                    |                    |                   |                    |                       |                           |  |                         |   |
| Instruction  | 507,854            | 26,793             | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Support services                                   | 52,467             | 3,852              | -                 | -                  | -                     | -                         | 55,713   | -                       | -                                       |
| Noninstructional services                          | 3,191              | -                  | -                 | -                  | -                     | -                         | -  | -                       | 1,500                                   |
| Facilities acquisition and construction            | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Debt services                                      | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Nonprogrammed charges                              | -                  | -                  | -                 | -                  | -                     | -                         | -  | -                       | -                                       |
| Total disbursements                                | <u>563,512</u>     | <u>30,645</u>      | <u>-</u>          | <u>-</u>           | <u>-</u>              | <u>-</u>                  | <u>55,713</u>  | <u>-</u>                | <u>1,500</u>                            |
| Excess (deficiency) of receipts over disbursements | <u>20,256</u>      | <u>(11,940)</u>    | <u>8,388</u>      | <u>-</u>           | <u>-</u>              | <u>-</u>                  | <u>-</u>   | <u>-</u>                | <u>-</u>                                |
| Cash and investments - ending                      | <u>\$ (48,831)</u> | <u>\$ (6,343)</u>  | <u>\$ -</u>       | <u>\$ -</u>        | <u>\$ -</u>           | <u>\$ -</u>               | <u>\$ -</u>  | <u>\$ -</u>             | <u>\$ -</u>                             |

VALPARAISO COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2013  
 (Continued)

|  | Improving<br>Teaching<br>Quality,<br>No Child<br>Left,<br>Title II, Part A | Evisionary<br>Grant | Title III,<br>Language<br>Instruction | Title I -<br>Grants<br>to LEAs | Special<br>Education -<br>Part B | Title I<br>Part D<br>Subpart 2 | Education<br>Jobs | Clearing<br>Account | Totals               |
|--|--|---------------------|---------------------------------------|--------------------------------|----------------------------------|--------------------------------|-------------------|---------------------|----------------------|
| Cash and investments - beginning                   | \$ (12,510)  | \$ -                | \$ (17,009)                           | \$ 11,248                      | \$ -                             | \$ 266                         | \$ -              | \$ 41,573           | \$ 30,604,628        |
| Receipts:  |  |                     |                                       |                                |                                  |                                |                   |                     |                      |
| Local sources                                      | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 29,653,349           |
| Intermediate sources                               | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 7,071                |
| State sources                                      | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 37,013,691           |
| Federal sources                                    | 97,957   | 634                 | 33,108                                | -                              | -                                | -                              | 23,280            | -                   | 1,919,333            |
| Temporary loans                                    | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 8,858,700            |
| Other  | -  | -                   | -                                     | -                              | -                                | -                              | -                 | 8,996,088           | 8,997,161            |
| Total receipts                                     | <u>97,957</u>  | <u>634</u>          | <u>33,108</u>                         | <u>-</u>                       | <u>-</u>                         | <u>-</u>                       | <u>23,280</u>     | <u>8,996,088</u>    | <u>86,449,305</u>    |
| Disbursements:                                     |  |                     |                                       |                                |                                  |                                |                   |                     |                      |
| Current:   |  |                     |                                       |                                |                                  |                                |                   |                     |                      |
| Instruction  | 106,470  | -                   | 16,099                                | 11,248                         | -                                | 266                            | 23,280            | -                   | 27,868,531           |
| Support services                                   | -  | 731                 | -                                     | -                              | -                                | -                              | -                 | -                   | 17,663,743           |
| Noninstructional services                          | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 3,524,201            |
| Facilities acquisition and construction            | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 1,894,616            |
| Debt services                                      | -  | -                   | -                                     | -                              | -                                | -                              | -                 | -                   | 17,171,878           |
| Nonprogrammed charges                              | -  | -                   | -                                     | -                              | -                                | -                              | -                 | 9,030,813           | 13,838,653           |
| Total disbursements                                | <u>106,470</u>   | <u>731</u>          | <u>16,099</u>                         | <u>11,248</u>                  | <u>-</u>                         | <u>266</u>                     | <u>23,280</u>     | <u>9,030,813</u>    | <u>81,961,622</u>    |
| Excess (deficiency) of receipts over disbursements | <u>(8,513)</u>   | <u>(97)</u>         | <u>17,009</u>                         | <u>(11,248)</u>                | <u>-</u>                         | <u>(266)</u>                   | <u>-</u>          | <u>(34,725)</u>     | <u>4,487,683</u>     |
| Cash and investments - ending                      | <u>\$ (21,023)</u>   | <u>\$ (97)</u>      | <u>\$ -</u>                           | <u>\$ -</u>                    | <u>\$ -</u>                      | <u>\$ -</u>                    | <u>\$ -</u>       | <u>\$ 6,848</u>     | <u>\$ 35,092,311</u> |

VALPARAISO COMMUNITY SCHOOLS  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2013

| School Corporation      | Accounts<br>Payable | Accounts<br>Receivable |
|-------------------------|---------------------|------------------------|
| Governmental activities | \$ 2,686,594        | \$ 76,293              |

VALPARAISO COMMUNITY SCHOOLS  
SCHEDULE OF LEASES AND DEBT  
June 30, 2013

| Description of Debt              |                                     | Ending               | Principal and        |
|----------------------------------|-------------------------------------|----------------------|----------------------|
| Type                             | Purpose                             | Principal            | Interest Due         |
|                                  |                                     | Balance              | Within One           |
|                                  |                                     |                      | Year                 |
| Governmental activities:         |                                     |                      |                      |
| Capital leases                   | Building corporation lease payments | \$ 38,880,516        | \$ 5,589,764         |
| Textbook purchase deferred notes |                                     | 135,679              | 77,337               |
| General obligation bonds         | Pension retirement bonds            | 14,510,000           | 1,619,195            |
| Tax anticipation warrants        |                                     | <u>7,264,400</u>     | <u>7,317,715</u>     |
| Totals                           |                                     | <u>\$ 60,790,595</u> | <u>\$ 14,604,011</u> |

(This page intentionally left blank.)

VALPARAISO COMMUNITY SCHOOLS  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2013

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

|                                    | <u>Ending<br/>Balance</u> |
|------------------------------------|---------------------------|
| Governmental activities:           |                           |
| Land                               | \$ 7,952,928              |
| Buildings                          | 99,254,857                |
| Improvements other than buildings  | 3,704,866                 |
| Machinery, equipment, and vehicles | 13,516,219                |
| Construction in progress           | <u>30,000</u>             |
| Total capital assets               | <u>\$ 124,458,870</u>     |

VALPARAISO COMMUNITY SCHOOLS  
OTHER REPORT

The annual audit report presented herein was prepared in addition to the Special Investigation Report of Valparaiso High School Cafeteria, Valparaiso Community Schools, for the period January 1, 2012 to December 31, 2013.

VALPARAISO COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statement presented in this report included the following funds with overdrawn cash balances at June 30, 2012, which were not due to anticipation of a reimbursement from a State or Federal grant award:

| Fund            | Amount<br>Overdrawn |
|-----------------|---------------------|
| General         | \$ 1,892,710        |
| Textbook Rental | 150,285             |

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**AVERAGE DAILY MEMBERSHIP (ADM) AND HONORS  
DIPLOMAS - INCORRECT REPORTING TO THE STATE**

The information presented for audit indicated that enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2012 and 2013. Additionally, the number of academic honors diplomas reported to the State for the 2010-2011 graduating class (reported in Fall 2011) were incorrect.

The enrollment count dates for 2011-2012 and 2012-2013 school years were September 16, 2011, and September 14, 2012, respectively. The differences between the reported ADM and honors diplomas and the verified amounts for each are shown below:

| School Years | Description              | ADM<br>or Honors<br>Diplomas | ADM<br>or Honors<br>Diplomas | Difference |
|--------------|--------------------------|------------------------------|------------------------------|------------|
| 2011-2012    | ADM - K through 12       | 6,224.76                     | 6,218.49                     | 6.27       |
| 2012-2013    | ADM - K through 12       | 6,210.35                     | 6,204.35                     | 6          |
| 2011-2012    | Academic Honors Diplomas | 186                          | 170                          | 16         |

Additionally, the detailed class lists for the 2011-2012 school year were not signed by the school principals.

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

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the Valparaiso Community Schools' (School Corporation) 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 period of July 1, 2011 to June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in item 2013-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Program Income and Special Tests and Provisions related to School Food Accounts that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the period of July 1, 2011 to June 30, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2011 to June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-006 and 2013-007. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003, 2013-005, 2013-008, and 2013-009 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

February 20, 2014

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

VALPARAISO COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2012 and 2013

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title                  | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-12 | Total<br>Federal Awards<br>Expended<br>06-30-13 |
|--|-------------------------------------|---------------------------|--|---|---|
| <u>U.S. Department of Agriculture</u>  |                                     |                           |  |   |   |
| Child Nutrition Cluster  |                                     |                           |  |   |   |
| School Breakfast Program   | Indiana Department of Education     | 10.553                    | FY 2012  | \$ 178,605                                      | \$ -  |
|  |                                     |                           | FY 2013  | -   | 149,336   |
| Total - School Breakfast Program   |                                     |                           |  | 178,605   | 149,336   |
| National School Lunch Program  |                                     |                           |  |   |   |
| National School Lunch Program  | Indiana Department of Education     | 10.555                    | FY 2012  | 987,949   | -   |
|  |                                     |                           | FY 2013  | -   | 888,211   |
| Total - National School Lunch Program  |                                     |                           |  | 987,949   | 888,211   |
| Total - Child Nutrition Cluster  |                                     |                           |  | 1,166,554                                       | 1,037,547                                       |
| Total - U.S. Department of Agriculture   |                                     |                           |  | 1,166,554                                       | 1,037,547                                       |
| <u>U.S. Department of Education</u>  |                                     |                           |  |   |   |
| Title I, Part A Cluster  |                                     |                           |  |   |   |
| Title I Grants to Local Educational Agencies   |                                     |                           |  |   |   |
|  | Indiana Department of Education     | 84.010                    | 11-6560  | 57,585  | -   |
|  |                                     |                           | 12-6560  | 295,764   | 192,667   |
|  |                                     |                           | 13-6560  | -   | 382,714   |
| Distinguished Schools Grant Program  |                                     |                           | 2011/2012  | 15,864  | 8,387   |
| Total - Title I Grants to Local Educational Agencies                                 |                                     |                           |  | 369,213   | 583,768   |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act Basic              |                                     |                           |  |   |   |
|  | Indiana Department of Education     | 84.389                    | 2011/2012  | 11,248  | -   |
| Total - Title I, Part A Cluster  |                                     |                           |  | 380,461   | 583,768   |
| Title I State Agency Program for Neglected and Delinquent Children and Youth         |                                     |                           |  |   |   |
|  | Indiana Department of Education     | 84.013                    | 2009/2010  | 1,427   | -   |
|  |                                     |                           | 2010/2011  | 2,212   | -   |
|  |                                     |                           | 2011/2012  | 7,062   | -   |
|  |                                     |                           | 2012/2013  | -   | 18,705  |
| Total - Title I State Agency Program for Neglected and Delinquent Children and Youth |                                     |                           |  | 10,701  | 18,705  |

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

VALPARAISO COMMUNITY SCHOOLS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2012 and 2013  
 (Continued)

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>06-30-12 | Total<br>Federal Awards<br>Expended<br>06-30-13 |
|---|-------------------------------------|---------------------------|--|---|---|
| <u>U.S. Department of Education (continued)</u>                     |                                     |                           |  |   |   |
| Special Education Cluster   |                                     |                           |  |   |   |
| Special Education - Grants to States                                | Indiana Department of Education     | 84.027                    |  | -   | 55,713  |
| ARRA - Special Education - Grants to States, Recovery Act           | Porter County Education Services    | 84.391                    |  | 75,923  | -   |
| Total - Special Education Cluster                                   |                                     |                           |  | 75,923  | 55,713  |
| English Language Acquisition State Grants                           | Indiana Department of Education     | 84.365                    | 01111-073-PN01<br>01112-073-PN01<br>01113-075-PN01         | 659<br>-<br>-                                   | -<br>19,221<br>13,888                           |
| Total - English Language Acquisition State Grants                   |                                     |                           |  | 659   | 33,109  |
| Improving Teacher Quality State Grants                              | Indiana Department of Education     | 84.367                    | 09-6560<br>10-6560<br>11-6560                              | 108,144<br>93,699<br>289                        | -<br>45,086<br>52,871                           |
| Total - Improving Teachers Quality State Grants                     |                                     |                           |  | 202,132   | 97,957  |
| Education Jobs Fund   | Indiana Department of Education     | 84.410                    | FY 2012  | 1,140,135                                       | 23,280  |
| Total - U.S. Department of Education                                |                                     |                           |  | 1,810,011                                       | 812,532   |
| Total federal awards expended                                       |                                     |                           |  | <u>\$ 2,976,565</u>                             | <u>\$ 1,850,079</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

**Note 1. 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 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.

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 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.

**Note 2. Noncash Assistance**

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2012 and 2013. This noncash assistance is also included in the federal expenditures presented in the schedule.

| Program Title                 | Federal<br>CFDA<br>Number | 2012      | 2013      |
|-------------------------------|---------------------------|-----------|-----------|
| School Breakfast Program      | 10.553                    | \$ 26,092 | \$ 25,040 |
| National School Lunch Program | 10.555                    | 146,467   | 153,335   |

VALPARAISO COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

|  |  |
|--|--|
| Type of auditor's report issued:                     | Adverse as to GAAP;<br>Unmodified as to Regulatory Basis |
| Internal control over financial reporting:           |  |
| Material weaknesses identified?                      | yes  |
| Significant deficiencies identified?                 | none reported  |
| Noncompliance material to financial statement noted? | yes  |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | yes           |
| Significant deficiencies identified?   | none reported |
| Type of auditor's report issued on compliance for major programs:  |               |
| Child Nutrition Cluster  | Qualified     |
| Title I, Part A Cluster  | Unmodified    |
| Improving Teacher Quality State Grants   | Unmodified    |
| Education Jobs Fund  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes           |

Identification of Major Programs:

| CFDA<br>Number | Name of Federal Program or Cluster     |
|----------------|--|
|                | Child Nutrition Cluster                |
|                | Title I, Part A Cluster                |
| 84.367         | Improving Teacher Quality State Grants |
| 84.410         | Education Jobs Fund                    |

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

Auditee qualified as low-risk auditee? no

**Section II - Financial Statement Findings**

**FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting and consider the following to be material weaknesses:

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

Preparation of Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's audited financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

The transactions relating to the Textbook Rental accounts for the elementary schools are included as part of the School Corporation financial records. The transaction relating to the Textbook Rental accounts for the middle schools and high school are maintained at each school. The School Corporation included the balances and activity from the middle schools and high school for the 2011-2012 financial reports, but omitted the balances and activity of the elementary schools. When the financial information for middle schools and high school was entered manually, the financial activity of the elementary schools was inadvertently deleted. These amounts included receipts of \$405,062 and disbursements of \$821,049.

The School Corporation included all of the schools' balances and activity for 2012-2013 in their financial reports; however, when the Indiana Department of Education (IDOE) processed the report, the IDOE omitted the elementary schools' information. The School Corporation contacted the IDOE and adjustments were made to include the financial activity of the elementary schools, the middle schools, and high school. However, the financial statement presented for audit by management did not include the transactions for Textbook Rental funds.

Adjustments were made to the financial statement and approved by management to include all transactions of the Textbook Rental funds.

The Food Service Department maintained financial records separate from the School Corporation records. They were required to report their ending balances, receipts, and disbursements to the School Corporation to be included in the bi-annual financial reports. A summary of the receipts and disbursements was submitted; however, the School Corporation failed to verify the amounts to underlying documentation, such as, the records maintained at the Food Service Department. An investment (Certificate of Deposit) was not included in the financial records of the Food Service Department, however, was included in the summary to the School Corporation. The Food Service purchased the Certificate of Deposits from Centier Bank in 2009, but the School Corporation was unaware of any investments until 2012.

The failure to adequately oversee the preparation of the financial statement places the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner.

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)

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

**FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE  
OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Assistant to the Chief Financial Officer independently prepared the SEFA for inclusion in the financial report without oversight or approval.

The School Corporation initially reported federal expenditures of \$1,895,550 and \$775,770 for the years ended June 30, 2012 and 2013, respectively. The School Corporation failed to include federal expenditures of \$1,166,554 and \$1,037,547, respectively, for programs in the Child Nutrition Cluster. Additional errors of \$38,344 and \$167,371, respectively, were also noted.

The SEFA did not include the Catalog of Federal Domestic Assistance (CFDA) numbers for two federal programs, and one of the CFDA numbers listed was inaccurate. The SEFA did not properly identify clusters and programs within those clusters. Furthermore, the pass-through entity for the Special Education Cluster was inaccurate and several program names did not agree with the Catalog Federal Domestic Assistance.

In failing to establish controls to effectively identify and report federal financial assistance, the School Corporation materially misrepresented the federal assistance expended for the fiscal years ending June 30, 2012 and 2013. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

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

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

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)

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 2012, FY 2013  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect on the Child Nutrition Cluster programs. This includes the compliance requirements for Eligibility, Program Income, Reporting, and the Special Tests and Provisions of School Food Accounts. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Eligibility*

The applications for free and reduced price meals were completed online and the eligibility determinations were automated for the 2012-2013 school year. The computer software vendor inputted the income guidelines and the eligibility determinations were automatically calculated based on these guidelines and the information from the applicants. The School Corporation relied solely on the vendor to accurately input income guidelines and to design a program to accurately determine eligibility for free and reduced price meals. An oversight process to verify that the income guidelines used were accurate or that the eligibility determinations were accurate has not been established.

*Reporting*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared and timely submitted. The Food Service Office Manager was solely responsible for preparing and submitting all required reports. Segregation of duties, such as an oversight or approval process, has not been established.

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

*Program Income and School Food Accounts*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that income generated from grant supported activity is properly accounted for. The Food Service Office Manager had the ability to count cash, prepare deposits, record receipts, and reconcile the bank account with the records. Some of these duties were segregated, but the procedures were by-passed in certain circumstances, which allowed funds to be misappropriated. Adequate, effective segregation of duties, which would include an oversight or approval process, has not been established.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the programs.

***FINDING 2013-004 - QUESTIONED COSTS AND NONCOMPLIANCE  
WITH REQUIREMENTS OF THE CHILD NUTRITION CLUSTER PROGRAMS***

Federal Agency: U.S. Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 2012, FY 2013  
Pass-Through Entity: Indiana Department of Education

The School Corporation Food Service Department was not in compliance with Program Income and School Food Accounts requirements of the Child Nutrition Cluster programs which resulted in \$37,750.15 in questioned costs. On several occasions, the Food Service Office Manager diverted program income for personal use by failing to deposit and record daily receipts of the School Breakfast and National School Lunch Programs.

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

7 CFR 3016.25(b) Program income states in part: "*Definition of program income.* Program income means gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period."

7 CFR 210.19(a) (1) states: "*Assurance of compliance for finances.* Each State agency shall ensure that school food authorities comply with the requirements to account for all revenues and expenditures of their nonprofit school food service."

7 CFR 210.20 Reporting and recordkeeping states in part:

"(b) *Recordkeeping summary.* Participating State agencies are required to maintain records to demonstrate compliance with Program requirements. The records include but are not limited to:

- (1) Accounting records and source documents to control the receipt, custody and disbursement of Federal Program funds . . ."

Failure to comply with the Program Income and School Food Accounts requirements resulted in a loss of \$37,750.15 to the School Corporation.

We recommended that the School Corporation's management ensure that all program income of the Child Nutrition Cluster programs is deposited and properly accounted for in the Food Service Account. In addition, we recommended that the School Corporation's management ensure compliance with all provisions of the grant agreement and all compliance requirements that have a direct and material effect on the programs.

***FINDING 2013-005 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE TITLE I, PART A CLUSTER***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies; Title I Grants to Local Educational Agencies, Recovery Act

CFDA Number: 84.010; 84.013; 84.389

Federal Award Numbers and Years: 11-6560; 12-6560; 13-6560; ARRA Basic 2011-2012

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the Title I Part A Cluster programs. This includes the following compliance requirements: Cash Management, Reporting, Special Tests and Provisions for Highly Qualified Teachers and Comparability. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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

*Cash Management*

The School Corporation has not implemented adequate policies and procedures to ensure that all reimbursement requests are accurately prepared. Per the School Corporation's control procedures, the requests for reimbursement are prepared by finance office personnel and are to be reviewed and signed by the Chief Financial Officer. The signature of the Chief Financial Officer was not included on the requests for reimbursement on a consistent basis. Segregation of duties, such as an oversight or approval process, has not been properly implemented.

*Reporting*

The School Corporation has not implemented adequate policies and procedures to ensure that all required reports are accurately prepared and timely submitted. Finance office personnel prepare the Quarterly Monitoring Reports and Annual Expenditure Reports based upon the financial records. Per the School Corporation's control procedures, these reports are to be reviewed and signed by the Chief Financial Officer. The signature of the Chief Financial Officer was omitted on the Annual Expenditure Reports and on one of the Quarterly Monitoring Reports. Segregation of duties, such as an oversight or approval process, has not been properly implemented.

*Special Tests and Provisions - Highly Qualified Teachers*

The School Corporation has not implemented policies and procedures to ensure that all teachers of core academic subjects meet the definition of "highly qualified." The individual building principals are not consistently signing the evaluation application, which certifies that the teachers meet the required qualifications for being highly qualified. Segregation of duties, such as an oversight or approval process, has not been properly implemented.

*Special Tests and Provisions - Comparability Report*

The School Corporation has not designed or implemented policies and procedures to ensure that the comparability requirement is completed on an annual basis. Responsibility for the 2012 comparability evaluations could not be determined. Segregation of duties, such as an oversight or approval process, has not been properly implemented.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the programs.

***FINDING 2013-006 - NONCOMPLIANCE WITH ELIGIBILITY***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies; Title I Grants  
to Local Educational Agencies, Recovery Act

CFDA Numbers: 84.010; 84.013; 84.389

Federal Award Numbers and Years: 11-6560; 12-6560; 13-6560; ARRA Basic 2011-2012

Pass-Through Entity: Indiana Department of Education

The Eligible Schools Summary enrollment and poverty numbers included in the Title I application is prepopulated by the Indiana Department of Education (IDOE). The poverty information used by the IDOE was generated by the School Corporation on specific dates in October 2010 and 2011. The poverty information included in the Eligible School Summary is compiled from the Application For Free or Reduced Price Meals and Other Benefits forms filed with the Food Service Department.

An application or documentation of direct certification for 7 percent of the students tested could not be located to test for accurate eligibility determinations.

7 CFR 210.15 Reporting and recordkeeping states in part:

"(b) *Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title . . ."

20 U.S. Code 6313 - Eligible school attendance areas, states in part:

"(5) Measures. The local educational agency shall use the same measure of poverty, which measure shall be the number of children ages 5 through 17 in poverty counted in the most recent census data approved by the Secretary, the number of children eligible for free and reduced priced lunches under the Richard B. Russell National School Lunch Act [42 U.S.C. 1751 et seq.], the number of children in families receiving assistance under the State program funded under part A of title IV of the Social Security Act [42 U.S.C. 601 et seq.], or the number of children eligible to receive medical assistance under the Medicaid program, or a composite of such indicators, with respect to all school attendance areas in the local educational agency-

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

- (A) to identify eligible school attendance areas;
- (B) to determine the ranking of each area; and
- (C) to determine allocations under subsection (c) of this section."

Failure to comply with the Eligibility requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation officials ensure compliance with all provisions of the grant agreement and all compliance requirements that have a direct and material effect on the programs.

***FINDING 2013-007 - NONCOMPLIANCE WITH SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND COMPARABILITY***

Federal Agency: U.S. Department of Education

Federal Programs: Title I Grants to Local Educational Agencies; Title I Grants to Local Educational Agencies, Recovery Act

CFDA Numbers: 84.010; 84.013; 84.389; 84.410

Federal Award Number and Years: 11-6560; 12-6560; 13-6560; ARRA Basic 2011-2012; FY 2012

Pass-Through Entity: Indiana Department of Education

*Title I, Part A Cluster - Highly Qualified Teachers*

The School Corporation did not fully comply with the Special Tests and Provisions requiring the employment of highly qualified teachers for the Title I, Part A Cluster programs. The School Corporation did not have documentation required to verify compliance with the highly qualified teacher requirements for 10 percent of the certified teachers tested. In addition, the School Corporation did not have documentation required to verify compliance with the highly qualified criteria for paraprofessionals for 27 percent of the employees tested.

34 CFR 200.56 states:

"A teacher described in §200.55(a) and (b)(1) is a 'highly qualified teacher' if the teacher meets the requirements in paragraph (a) and paragraph (b), (c), or (d) of this section.

(a) *In general.*

- (1) Except as provided in paragraph (a)(3) of this section, a teacher covered under §200.55 must—
  - (i) Have obtained full State certification as a teacher, which may include certification obtained through alternative routes to certification; or
  - (ii) (A) Have passed the State teacher licensing examination; and  
(B) Hold a license to teach in the State."

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

34 CFR 200.58 Qualifications of paraprofessionals, states in part:

"(b) *All paraprofessionals.* A paraprofessional covered under paragraph (a) of this section, regardless of the paraprofessional's hiring date, must have earned a secondary school diploma or its recognized equivalent.

(c) *New paraprofessionals.* A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have-

- (1) Completed at least two years of study at an institution of higher education;
- (2) Obtained an associate's or higher degree; or
- (3) (i) Met a rigorous standard of quality, and can demonstrate-through a formal State or local academic assessment-knowledge of, and the ability to assist in instructing, as appropriate-
  - (A) Reading/language arts, writing, and mathematics; or
  - (B) Reading readiness, writing readiness, and mathematics readiness.
- (3) (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

(d) *Existing paraprofessionals.* Each paraprofessional who was hired on or before January 8, 2002 must meet the requirements in paragraph (c) of this section no later than January 8, 2006."

*Title I, Part A Cluster and Education Jobs Fund – Comparability*

The School Corporation did not comply with Special Tests and Provisions for Comparability in 2012. Documentation was not presented to ascertain or verify that the School Corporation complied with the comparability requirements.

20 U.S. Code 6321(c) Comparability of services - states in part:

"(1) In general

(A) Comparable services. Except as provided in paragraphs (4) and (5), a local educational agency may receive funds under this part only if State and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part.

(B) Substantially comparable services. If the local educational agency is serving all of such agency's schools under this part, such agency may receive funds under this part only if such agency will use State and local funds to provide services that, taken as a whole, are substantially comparable in each school.

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

(C) Basis. A local educational agency may meet the requirements of subparagraphs (A) and (B) on a grade-span by grade-span basis or a school-by-school basis.

(2) Written assurance

(A) Equivalence. A local educational agency shall be considered to have met the requirements of paragraph (1) if such agency has filed with the State educational agency a written assurance that such agency has established and implemented-

- (i) a local educational agency-wide salary schedule;
- (ii) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and
- (iii) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

(3) Procedures and records. Each local educational agency assisted under this part shall-

- (A) develop procedures for compliance with this subsection; and
- (B) maintain records that are updated biennially documenting such agency's compliance with this subsection."

Failure to comply with the Special Tests and Provisions regarding Highly Qualified Teachers and Comparability could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation officials ensure compliance with all provisions of the grant agreement and all compliance requirements that have a direct and material effect on the programs.

***FINDING 2013-008 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON IMPROVING TEACHER QUALITY STATE GRANTS***

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Numbers and Years: 09-6560, 10-6560, 11-6560  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the Improving Teacher Quality State Grants program. This includes the following compliance requirements: Cash Management, Period of Availability, Reporting, and Special Test and Provisions related to Participation of Private School Children. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

*Cash Management*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that all requests for reimbursement of grant expenditures are accurately prepared and timely submitted. Only four of nine requests for reimbursement tested indicated a review or approval by someone other than the person who prepared them prior to submission. Segregation of duties, such as an oversight or approval process, has not been established.

*Period of Availability*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that all available funds are at least obligated and encumbered by the end of the grant period. The FY 2010 grant period ended September 30, 2012. The final report submitted November 26, 2012, reported \$39,747 of available funds remaining. The funds were encumbered for iPads on September 30, 2012, but the bid was not received until October 1, 2012. The School Corporation cancelled the encumbrance and forfeited the remaining grant funds.

*Reporting*

The School Corporation has designed procedures to ensure that required grant reports were accurate and timely submitted; however, the procedures were not effective. The reports were signed by management but the report due December 31, 2011, was not filed until March 31, 2012. Segregation of duties, such as an adequate oversight or approval process, has not been properly implemented.

*Special Tests and Provisions - Participation of Private School Children*

The School Corporation has not designed or implemented policies and procedures to ensure that private schools are adequately informed of federal grant programs in which they are eligible to participate. Responsibility for compliance with these requirements could not be determined. Segregation of duties, such as an approval or oversight process, has not been established.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program has resulted in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

***FINDING 2013-009 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE EDUCATION JOBS FUND***

Federal Agency: U.S. Department of Education  
Federal Program: Education Jobs Fund  
CFDA Number: 84.410  
Federal Award Year: FY 2012  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Allowable Activities, Allowable Costs, Cash Management, and Reporting. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Allowable Activities and Allowable Costs*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that payroll is properly approved during the summer months. The Education Jobs Fund program was used to fund payroll expenditures. School Corporation officials made the decision to pay the wages of certified staff from these funds for four weeks of the summer months. The School Corporation paid \$1,140,134.91 from Education Jobs Fund grant funds during this time. Procedures to verify that the proper wages were paid from these funds were not established. The information provided to the School Board for approval included only a summary of the totals paid for wages, taxes, and benefits; it did not detail the funds from which the payments were made. Segregation of duties, such as an oversight or approval process, has not been established.

*Cash Management*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that requests for reimbursement were accurately prepared. Only 25 percent of the requests for reimbursement were reviewed by someone other than the person who prepared them prior to submission. Segregation of duties, such as an oversight or approval process, has not been established.

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

*Reporting*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared and timely submitted. The quarterly reports were certified by the Treasurer, but supporting documentation was not provided to verify the amounts reported, and there was no indication that the reports were adequately reviewed before they were submitted. Segregation of duties, such as an oversight or approval process, has not been established.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect on the program.

**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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Finding Number 2011-03**

Original SBA Audit Report Number:      B31697

Fiscal Year:                                      FY 2010, FY 2011

Auditee Contact Person:                      Cindy Licciardone

Title of Contact Person:                      Food Service Director

Phone Number:                                  219-531-3000

**Status of Finding**

Effective controls were established to ensure compliance with the requirements for updating and correcting eligibility status. Office manager receives all verifications materials being verified from households. Household incomes are calculated and status eligibility is determined. Income calculations are double checked by the food service accounts payable personnel and documented. Food service director signs off on verification summary.

  
Cindy Licciardone

  
Date

---

# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2011-04

Original SBA Audit Report Number: B31697  
Fiscal Year: FY2010, FY 2011  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: CFO  
Phone Number: 219-531-3000

### Status of Finding:

Effective for the 2012-2013 school year, the Title I Director reviews each payroll distribution report to determine that the applicable employees have been paid correctly with Title I funds. The Title I Director signs a copy of the report indicating that it has been reviewed. A copy of the signed report is maintained in the Grant File.

  
Sharon Qualkenbush, CFO

12-13-13  
Date

# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2011-05

Original SBA Audit Report Number: 831697  
Fiscal Year: FY2010, FY 2011  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: CFO  
Phone Number: 219-531-3000

### Status of Finding:

Vendor contracts include the details related to the performance of services so that the services can be reconciled to the contract detail.

  
Sharon Qualkenbush, CFO

1-10-14  
Date

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2011-06

Original SBA Audit Report Number: B31697  
Fiscal Year: FY2010, FY 2011  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: CFO  
Phone Number: 219-531-3000

### Status of Finding:

The current guidelines enacted by the Indiana Department of Education for Title I, Title I Neglected, and ARRA Title I require funds to be obtained through a reimbursement process rather than from a budgeted draw-down arrangement as was the methodology in place in the first half of the prior audit period.

  
Sharon Qualkenbush, CFO

12-13-13  
Date

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2011-07

Original SBA Audit Report Number: B31697  
Fiscal Year: FY2010, FY 2011  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: CFO  
Phone Number: 219-531-3000

### Status of Finding:

Procedures for the reporting, review, and verification of federal grants were updated at the conclusion of the prior audit as follows:

The Deputy Treasurer completes the monthly or quarterly report using the month-end/quarter-ended financial system reports. Expenditures, revenue, and balances on the grant reports are reconciled to the accounting reports. Report differences are noted. Copies of all back-up documentation are attached to the school corporation copy of the report. The reports are submitted electronically or by the means prescribed by the pass-through agency(ies).

  
Sharon Qualkenbush, CFO

12-13-13  
Date

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2011-08

Original SBA Audit Report Number: B31697  
Fiscal Year: FY2010, FY 2011  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: CFO  
Phone Number: 219-531-3000

### Status of Finding:

According to documents from the prior CFO, procedures were established at the completion of the 2009-2011 audit for the school corporation to begin checking vendors on the EPLS system in order to insure that it is not doing business with an excluded party.

The Title I director's assistant places orders related to all Title I grants. As part of the purchase order process, the vendor was to be checked on EPLS with a notation attached to the purchase order and maintained by the Title I assistant indicating the vendor checked. Any vendor on the EPLS will not be used by the school corporation until such time as they are removed from the list.

Beginning in 2013, the accounts payable clerk was instructed to check the status of all new vendors in order to assure compliance.

  
Sharon Qualkenbush, CFO

12-13-13  
Date

# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2011-09

Original SBA Audit Report Number: B31697  
Fiscal Year: FY2010, FY 2011  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: CFO  
Phone Number: 219-531-3000

### Status of Finding:

School Corporation policy defines a capital assets as having "a useful life in excess of one (1) year and an initial cost equal to or exceeding the amount determined periodically in the administrative guidelines of the Valparaiso School Corporation." It states that such items "are to be recorded on the fixed-asset system to maintain control." The administrative guideline establishes the capital asset threshold at \$5,000.

A detailed inventory was completed by Industrial Appraisal as of June 30, 2012 along with a corresponding list of capital assets on Form 369. Additions and deletions were recorded on Form 369 for the period July 1, 2012 through June 30, 2013.

  
Sharon Qualkenbush, CFO

12-13-13  
Date

# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

Telephone: (219) 531-3000

FAX: (219) 531-3009

February 17, 2014

## SECTION II – Financial Statement Findings

### FINDING 2013-001: INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Procedures were designed in August 2013 to assure that the data submitted for inclusion in the Form 9 report for the secondary schools' textbook rental accounts is to be verified by the Deputy Treasurer. Preparation of the Form 9 report will be completed by the Deputy Treasurer with the assistance of the Treasurer. Prior to submission of the final report, the treasurer will review the data and sign the report worksheet to indicate that the records were reviewed. The Deputy Treasurer will verify that the Form 9 report received from the Department of Finance agrees with the submitted records. The final verified report will be submitted to the Treasurer. Since July 1, 2013, the Food Service financial transactions are recorded as part of the corporation records.

Duties have been realigned between the Business Office staff to facilitate the process of maintaining checks and balances of the financial transactions and reporting. Procedures are now in place to verify that reports are prepared and approved by separate staff.

Signed: \_\_\_\_\_

*Sharon Qualkenbush*  
Sharon Qualkenbush, Treasurer

Date: \_\_\_\_\_

*2-19-14*

# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

February 17, 2014

## SECTION II – Financial Statement Findings

### FINDING 2013-002: INTERNAL CONTROLS AND COMPLIANCE OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Procedures have been implemented to improve the accuracy of the Schedule of Expenditures of Federal Awards (SEFA) report. Clarification regarding the preparation of the SEFA report was obtained from the auditors. Future reports will be prepared by the Deputy Treasurer at the end of each fiscal period. The report along with the applicable financial documentation will be submitted to the Treasurer for review. The completed SEFA report will be maintained in our files and will be available during the next audit as required.

Signed: \_\_\_\_\_

Sharon Qualkenbush, Treasurer

Date: \_\_\_\_\_

2-19-14

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

February 17, 2014

## SECTION III – Federal Award Findings and Questioned Costs

### Finding 2013-003: INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER

Federal Agency: U.S. Department of Agriculture  
Pass-Through Entity: Indiana Department of Education  
CDFA Numbers: 10.553; 10.555  
Program Numbers: FY 2012; FY 2013  
Audited Contact Person: Cindy Licciardone, Food Service Director

The Food Service Director will establish a control to check the accuracy of the eligibility guidelines entered into the student information software for determining eligibility of applicants. Applications will be pulled randomly to verify accurate income calculation. The Food Service Director will review and verify for approval. Reports from the student information software will be cross referenced with the student status in the point of sale system.

The Food Service Director will establish a segregation of duties within the Food Service Department. Money collected for meals will be counted by a designated food service staff member. The designated food service staff member will count the cashier drawers. A separate member of the food service staff will run the daily reports for sales and meals, cashier summary report and prepayment summary report. All bank deposit slips will be submitted to the food service bookkeeper. The food service bookkeeper will verify that daily point of sale system cash totals agree with daily bank deposits. Total deposits will be verified with bank deposit receipts. Cash receipts from sales and meals reports will be verified to deposit slips for all schools. The Food Service Director will review these reconciliation reports and send a signed copy to the Business Office along with the report of daily receipts. Receipts will be written for all money received in the Food Service Business Office. The bank deposit will be prepared by a separate food service staff member and approved by the Food Service Director. The food service director will take the deposit to the bank. The bank deposit receipt will be given to the bookkeeper. The bookkeeper will verify that the bank deposit receipt agrees with the bank deposit ticket.

Signed: \_\_\_\_\_

Cindy Licciardone, Food Service Director

Date: \_\_\_\_\_

2-19-14

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

February 17, 2014

## SECTION III – Federal Award Findings and Questioned Costs

### Finding 2013-004: QUESTIONED COSTS AND NONCOMPLIANCE WITH REQUIREMENTS OF THE CHILD NUTRITION CLUSTER PROGRAMS

Federal Agency: U.S. Department of Agriculture  
Federal Program: Child Nutrition Cluster  
CDFA Numbers: 10.553, 10.555  
Federal Award Number and Year: FY 2012 and FY 2013  
Pass-Through Entity: Indiana Department of Education

The Food Service Director will establish a segregation of duties within the Food Service Department. Money collected for meals will be counted by a designated food service staff member. The designated food service staff member will count the cashier drawers. A separate member of the food service staff will run the daily reports for sales and meals, cashier summary report and prepayment summary report. All bank deposit slips will be submitted to the food service bookkeeper. The food service bookkeeper will verify that daily point of sale system cash totals agree with daily bank deposits. Total deposits will be verified with bank deposit receipts. Cash receipts from sales and meals reports will be verified to deposit slips for all schools. The Food Service Director will review these reconciliation reports and send a signed copy to the Business Office along with the report of daily receipts. Receipts will be written for all money received in the Food Service Business Office. The bank deposit will be prepared by a separate food service staff member and approved by the Food Service Director. The food service director will take the deposit to the bank. The bank deposit receipt will be given to the bookkeeper. The bookkeeper will verify that the bank deposit receipt agrees with the bank deposit ticket.

Signed: Cindy Licciardone  
Cindy Licciardone, Food Service Director

Date: 2-19-14

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

February 17, 2014  
Section III – Federal Award Findings and Questioned Costs

Finding 2013 – 005 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE TITLE I, PART A CLUSTER

Federal Agency: Department of Education  
Federal Program: Title I Part A Cluster  
CFDA Number: 84.010, 84.013, 84.389  
Federal Award Numbers and Years: 11-6560, 12-6560, 13-6560, ARRA Basic SY 2011-12  
Pass Through Entity: Indiana Department of Education

Business office staff will review grant accounting records to note if items charged to the grant appear to be consistent with the approved grant budgets. Fiscal grant reports and reimbursement requests will be prepared, verified, and signed by the Deputy Treasurer. The Treasurer will verify and sign all fiscal grant reports and reimbursement requests before they are submitted.

The Title I Director will work with relevant Title I staff to submit accurate and verified comparability reports. The Title I Director will adhere to the deadlines for submission laid out in the grant agreement to ensure the reports are submitted in a timely manner.

Signed:   
Sharon Qualkenbush, Treasurer

Date: 2-19-14

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

February 17, 2014

## Section III – Federal Award Findings and Questioned Costs

### Finding 2013 – 006 – NONCOMPLIANCE WITH ELIGIBILITY

Federal Agency: U.S. Department of Education

Federal Program: Title I Part A Cluster

CFDA Number: 84.010, 84.013, 84.389

Federal Award Numbers and Years: 11-6560, 12-6560, 13-6560, ARRA Basic SY 2011-12

Pass Through Entity: Indiana Department of Education

The Food Service Director will maintain a file with free/reduced lunch applications, online free/reduced application submissions, and direct certification verifications as required.

Signed: Cindy Licclardone  
Cindy Licclardone, Food Service Director

Date: 2-19-14

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

February 17, 2014

## Section III – Federal Award Findings and Questioned Costs

### Finding 2013 – 007 – NONCOMPLIANCE WITH SPECIAL TESTS AND PROVISIONS – HIGH QUALIFIED TEACHERS AND COMPARABILITY

Federal Agency: Department of Education  
Federal Program: Title I Part A Cluster, Education Jobs Fund  
CFDA Number: 84.010, 84.013, 84.389, 84.410  
Federal Award Numbers and Years: 11-6560, 12-6560, 13-6560, ARRA Basic SY 2011-12, FY 2012  
Pass Through Entity: Indiana Department of Education  
Audit Contact: Gina Wagenblast, Title I Director

The Title I Director will work with relevant Title I staff to submit accurate and verified comparability reports. The Title I Director will adhere to the deadlines for submission laid out in the grant agreement to ensure the reports are submitted in a timely manner. Documentation used in preparation of reports will be maintained in the grant files.

School Principals will verify that a new teacher is highly qualified, and submit documentation to the HR staff at the administrative building. The HR staff will verify and initial the documentation. The documentation will be maintained in the teacher's personnel file and the personnel software.

Signed: Sharon Qualkenbush  
Sharon Qualkenbush, Treasurer

Date: 2-19-14

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

February 17, 2014

## Section III – Federal Award Findings and Questioned Costs

### Finding 2013 – 008 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON IMPROVING TEACHER QUALITY STATE GRANTS

Federal Agency: Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Numbers and Years: 09-6560, 10-6560, 11-6560  
Pass Through Entity: Indiana Department of Education

Business office staff will review grant accounting records to note if items charged to the grant appear to be consistent with the approved grant budget. Fiscal grant reports and reimbursement requests will be prepared, verified, and signed by the Deputy Treasurer. The Treasurer will verify and sign all fiscal grant reports and reimbursement requests before they are submitted.

The business office staff will review grant budgets monthly to ensure that grant funds are on track to be encumbered and expended by the end of the grant deadline. The business office staff will communicate monthly grant budgets to the appropriate staff.

The business office staff will adhere to the deadlines laid out in the grant agreement to ensure all grant reports are submitted in a timely manner.

Signed: Sharon Qualkenbush  
Sharon Qualkenbush, Treasurer

Date: 2-19-14

# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

February 17, 2014

## Section III – Federal Award Findings and Questioned Costs

### Finding 2013 – 009 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE EDUCATION JOBS FUND

Federal Agency: Department of Education  
Federal Program: Education Jobs Fund  
CFDA Number: 84.410  
Federal Award Numbers and Years: FY 2012  
Pass Through Entity: Indiana Department of Education

The term for the Education Jobs Fund grant has expired. Funds from the Education Jobs Fund are no longer available.

Business office staff will review grant accounting records for future grants to note if items charged to the grant appear to be consistent with the approved grant budget. Fiscal grant reports and reimbursement requests will be prepared, verified, and signed by the Deputy Treasurer. The Treasurer will verify and sign all fiscal grant reports and reimbursement requests before they are submitted. Procedures are in place for payroll to be signed during the summer months.

Signed: Sharon Qualkenbush  
Sharon Qualkenbush, Treasurer

Date: 2-19-14

VALPARAISO COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2014, with Sharon Qualkenbush, Treasurer/Chief Financial Officer; Michael J. Berta, Jr., Superintendent of Schools; Mark T. Maassel, President of the School Board; and James Jorgensen, Vice President of the School Board. The Official Response has been made a part of this report and may be found on page 76.

# VALPARAISO COMMUNITY SCHOOLS



Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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

Office of the Superintendent

March 17, 2014

State Board of Accounts  
302 W. Washington Street, Room E418  
Indianapolis, IN 46204-2765

RE: Audit Results and Comments Audit Report July 1, 2011 to June 30, 2013

To WHOM It May Concern:

## Over Drawn Cash Balances

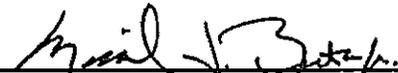
Activities were implemented starting in August 2012 to end the over-draw to the General Fund. The result of these actions produced a General Fund cash balance of \$1,395,669 in January 2014. Detailed General Fund monitoring and reports are communicated to the Board and the public at monthly meetings by the Chief Financial Officer.

Starting in 2013, textbook rental calculations were reviewed to include all applicable expenses. New collection procedures were also implemented in early 2013 to improve the solvency of the fund. The projected increase of collections, in combination with more accurate calculations, will help to minimize the over-expenditure of the fund.

## Average Daily Membership (ADM) Reporting

Differences in the Average Daily Membership (ADM) count historically are due to outliers related to special needs students transferred to other districts for instruction. This situation results in the inaccurate accounting of students due to poor communication between IT departments, school districts and special needs staff. This process is being addressed to improve the accuracy of the reports.

Respectfully submitted,

  
Michael J. Berta, Jr.  
Superintendent

  
Sharon Qualkenbush  
Chief Financial Officer