

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, 2013 to June 30, 2015



FILED
05/12/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Qualkenbush	07-01-13 to 06-30-16
Superintendent of Schools	Michael J. Berta, Jr. Dr. E. Ric Frataccia	07-01-13 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	Mark T. Maassel Karl Cender	07-01-13 to 06-30-15 07-01-15 to 06-30-16



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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, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

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, 2013 to June 30, 2015.

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, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.


Other Information

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2016, 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.


Paul D. Joyce, CPA
State Examiner

March 14, 2016



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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, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated March 14, 2016, 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.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

March 14, 2016

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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.

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VALPARAISO COMMUNITY SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 552,740	\$ 39,213,022	\$ 37,270,085	\$ 13,685	\$ 2,509,362	\$ 38,874,725	\$ 36,610,171	\$ -	\$ 4,773,916
Debt Service	6,309,919	10,062,930	11,946,134	(83,816)	4,342,899	9,383,649	9,285,933	(69,772)	4,370,843
Retirement/Severance Bond Debt Service	765,601	2,663,784	2,551,895	-	877,490	2,601,169	2,394,635	-	1,084,024
Capital Projects	2,517,016	5,908,295	5,750,114	-	2,675,197	5,874,690	5,799,881	-	2,750,006
School Transportation	2,686,221	4,267,491	3,953,795	-	2,999,917	3,123,699	3,425,438	(500,000)	2,198,178
School Bus Replacement	580,744	577,039	376,861	-	780,922	599,828	460,941	-	919,809
Rainy Day	1,483,335	46,000	46,000	-	1,483,335	70	-	500,000	1,983,405
Retirement/Severance Bond	11,042,495	33,303	1,301,968	-	9,773,830	62,646	886,265	-	8,950,211
Post-Retirement/Severance Future Benefits	151,773	-	78,000	-	73,773	-	62,400	-	11,373
School Lunch	1,509,623	2,701,333	2,511,462	-	1,699,494	2,542,985	2,669,287	-	1,573,192
Textbook Rental	207,100	1,125,591	590,645	83,816	825,862	1,101,938	1,534,072	69,772	463,500
Self-Insurance	6,611,005	4,756,386	4,633,343	-	6,734,048	4,783,405	5,383,382	-	6,134,071
Levy Excess	-	-	-	-	-	7,592	-	-	-
Alternative Education	20,881	11,610	8,400	-	24,091	12,395	24,000	-	12,486
Early Intervention Grant	2,202	-	2,202	-	-	-	-	-	-
Early Intervention Literacy	-	-	55,307	-	(55,307)	68,307	13,000	-	-
Early Intervention Literacy - 2014	-	-	-	-	-	79,338	72,703	-	6,635
Wellness	2,269	3,665	3,517	-	2,417	5,910	2,442	-	5,885
Construction/Remodel	465,936	-	-	-	465,936	-	-	-	465,936
National Spanish Grant	19,600	-	5,915	(13,685)	-	-	-	-	-
Gifts/Donations	83,596	69,665	70,994	-	82,267	48,780	56,114	-	74,933
RDC Grant	-	349,837	349,837	-	-	-	-	-	-
RDC Grant - 2014	-	-	12,986	-	(12,986)	434,400	421,414	-	-
United Way KDG Camp	-	-	-	-	-	-	2,495	-	(2,495)
High Ability	26,017	53,400	52,338	-	27,079	-	27,079	-	-
High Ability Making a Difference	-	-	-	-	-	19,943	19,943	-	-
High Ability 2014-2015	-	-	-	-	-	55,388	51,492	-	3,896
Education Technology	-	62,713	304,785	-	(242,072)	242,072	-	-	-
Common School Loan Current	-	-	-	-	-	93,445	177,013	-	(83,568)
Non-English Speaking Programs P.L. 273-1999	1,097	15,107	3,208	-	12,996	16,948	17,731	-	12,213
School Technology	113,981	8,664	6,740	-	115,905	89,099	16,750	-	188,254
Safe Haven	-	-	-	-	-	5,000	10,000	-	(5,000)
Student Testing	5,058	9,688	2,288	-	12,458	-	1,749	(8,214)	2,495
Drug Testing	-	-	8,214	-	(8,214)	-	-	8,214	-
PCSAC Drug Test	-	-	-	-	-	1,831	1,398	-	433
Evisionary Conference	3,555	3,990	5,619	-	1,926	-	-	-	1,926
Title I	(48,830)	619,264	605,344	-	(34,910)	651,957	671,598	-	(54,551)
Title I Part D	(6,344)	38,806	35,884	-	(3,422)	95,636	92,214	-	-
Title I Part D 2014-2015	-	-	-	-	-	7,790	9,774	-	(1,984)
Improving Teaching Quality, No Child Left, Title II, Part A	(21,021)	87,403	73,703	-	(7,321)	107,262	106,496	-	(6,555)
Title II A 2014-2015	-	-	-	-	-	17,291	30,308	-	(13,017)
Evisionary Grant	(97)	13,548	13,451	-	-	-	-	-	-
Title III - Language Instruction	-	13,625	13,624	-	1	20,547	20,548	-	-
Clearing Account - Payroll	6,848	8,915,739	8,973,054	-	(50,467)	8,662,165	8,603,594	-	8,104
Prepaid Food	-	-	-	-	-	604,874	542,241	-	62,633
Totals	\$ 35,092,320	\$ 81,631,898	\$ 81,617,712	\$ -	\$ 35,106,506	\$ 80,296,774	\$ 79,504,501	\$ -	\$ 35,898,779

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.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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:

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.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the 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 a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

B. 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
One North Capitol, 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.

C. Additional Pension Plan

Contributions to New 401(a) Plan

Beginning with the 1998-1999 school year, the School Corporation established a qualified 401(a) annuity plan for all teachers who are employed on a regular teachers contract after January 1, 1998, and who have not reached permanent teacher status by September 30, 1998. The School Corporation contributes up to \$670 on behalf of the teacher for teachers who contribute an equal amount of dollars to a 403(b) plan. Contributions to the 401(a) Plan started with the 1998-1999 contract year and have been included in each contract year thereafter. Teachers who were employed after August 21, 2005, are not included in the 401(a) Plan.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Beginning with the 1998-1999 school year, the School Corporation established a 401(a) Annuity Plan for all classified employees who were employed after September 30, 1993, and who had not completed five consecutive years of service by October 1, 1998. Classified employees hired after August 21, 2005, are not eligible for the plan. The School Corporation contributes up to \$250 for eligible classified employees. Eligible part-time employees receive a prorated contribution. Information regarding these plans may be obtained from the School Corporation.

Note 7. Other Postemployment Benefits

A. Post Employment Benefits

The School Corporation allows eligible retirees and their spouses to enroll in health and dental insurances 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.

B. Early Retirement Plan - Bridge to Social Security

Teachers who leave the service of the School Corporation and who qualify under the terms of the General Severance Pay-Bridge to Social Security will receive severance pay and may also qualify to receive bridges to Social Security. The Early Retirement Plan-Bridge to Social Security for Teachers includes the following features: (a) There is a maximum five year bridge. (b) The benefit is tied to the full social security age of the retiree. (c) The annual bridge payments may be paid through the School Corporation Section 125 plan. (d) The benefit contributions are tied to severance calculations that are based on the years of experience in the School Corporation as well as the accumulative sick leave, final base salary, and the number of contract days.

To qualify for the plan, the retiree must meet all of the following criteria: (a) The retiree must be 55 years of age at the time of retirement with 10 years of teaching and/or administrative experience in the School Corporation. (b) The teacher must be employed on a regular teachers' contract. (c) The teacher must have been employed by the School Corporation on a regular teachers' contract prior to January 1, 1998. (d) The teacher must have attained permanent teacher status with the School Corporation by September 30, 1998, and have been employed under a regular teachers' contract with the School Corporation during the 1997-1998 school year. Severance pay and Bridge to Social Security calculation details are included in the current Master Contract Agreement.

A teacher who is not yet 55, but who meets all of the above experience requirements, and who has a total of 55 years of experience with each year in the School Corporation counting as two years, shall receive Severance Pay but no Bridge to full Social Security.

Classified employees who were actively employed by the School Corporation prior to January 1, 1998, and who completed five consecutive years of employment with the School Corporation, and were employed by the School Corporation during the 1997-1998 school year may be eligible to receive Severance Pay. Classified employees meeting this criteria are eligible to receive severance pay if at the time of retirement, the classified employee was at least 55 years of age, had at least 10 years of experience in the School Corporation, and is currently employed with the School Corporation.

VALPARAISO COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. The Clearing Account - Payroll fund had a negative cash balance at times during the audit period. Corrective actions were taken by administration during the audit period to correct the issue. The remaining funds with negative cash balances were reimbursable grants. The School Corporation is required to expend the dollars and then seek reimbursement for the expenditures. Due to the timing of the expenditures, the reimbursements were not received by June 30, 2014, and June 30, 2015. Generally, the reimbursements were received in the following month as a result of the reimbursement request deadlines established by the state.

Note 9. Holding Corporation

The School Corporation has entered into capital leases with the Valparaiso Middle School Building Corporation and the Valparaiso Multi Schools 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 ended June 30, 2014 and 2015, totaled \$8,170,000 and \$8,081,000, respectively.

Note 10. Subsequent Events

Voters approved both a capital and operating referendum in May 2015. Series 2015 bonds were closed on October 15, 2015, with a par value of \$143,035,000. Series 2016 bonds were closed on January 19, 2016, with a par value of \$6,960,000. Bond proceeds are to be used for the construction of a new elementary school as well as major improvements to other School Corporation facilities.

The conversion of the School Corporation's student information system, financial/payroll system, and extra-curricular accounting system to Skyward, Inc., was completed in July 2015.

The Series 2005 Pension Bonds were refinanced through the Indiana Bond Bank in the fall of 2015.

OTHER INFORMATION - UNAUDITED

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. Additionally, some financial information of the School Corporation can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the 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 other 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, 2014

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch
Cash and investments - beginning	\$ 552,740	\$ 6,309,919	\$ 765,601	\$ 2,517,016	\$ 2,686,221	\$ 580,744	\$ 1,483,335	\$ 11,042,495	\$ 151,773	\$ 1,509,623
Receipts:										
Local sources	2,038,367	9,062,930	1,729,784	4,408,295	3,301,779	577,039	-	33,303	-	1,636,982
Intermediate sources	7,500	-	-	-	-	-	-	-	-	-
State sources	37,167,155	-	-	-	-	-	-	-	-	35,657
Federal sources	-	-	-	-	-	-	-	-	-	990,944
Temporary loans	-	1,000,000	888,000	1,500,000	960,000	-	-	-	-	-
Interfund loans	-	-	46,000	-	-	-	46,000	-	-	-
Other	-	-	-	-	5,712	-	-	-	-	37,750
Total receipts	<u>39,213,022</u>	<u>10,062,930</u>	<u>2,663,784</u>	<u>5,908,295</u>	<u>4,267,491</u>	<u>577,039</u>	<u>46,000</u>	<u>33,303</u>	<u>-</u>	<u>2,701,333</u>
Disbursements:										
Current:										
Instruction	27,207,147	-	-	-	-	-	-	-	-	-
Support services	9,246,194	-	-	2,032,365	2,674,795	376,861	-	1,301,968	78,000	18,809
Noninstructional services	816,744	-	-	-	-	-	-	-	-	2,492,653
Facilities acquisition and construction	-	-	-	2,022,749	-	-	-	-	-	-
Debt services	-	11,946,134	2,505,895	1,695,000	1,279,000	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	46,000	-	-	-	46,000	-	-	-
Total disbursements	<u>37,270,085</u>	<u>11,946,134</u>	<u>2,551,895</u>	<u>5,750,114</u>	<u>3,953,795</u>	<u>376,861</u>	<u>46,000</u>	<u>1,301,968</u>	<u>78,000</u>	<u>2,511,462</u>
Excess (deficiency) of receipts over disbursements	<u>1,942,937</u>	<u>(1,883,204)</u>	<u>111,889</u>	<u>158,181</u>	<u>313,696</u>	<u>200,178</u>	<u>-</u>	<u>(1,268,665)</u>	<u>(78,000)</u>	<u>189,871</u>
Other financing sources (uses):										
Transfers in	13,685	-	-	-	-	-	-	-	-	106,134
Transfers out	-	(83,816)	-	-	-	-	-	-	-	(106,134)
Total other financing sources (uses)	<u>13,685</u>	<u>(83,816)</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>1,956,622</u>	<u>(1,967,020)</u>	<u>111,889</u>	<u>158,181</u>	<u>313,696</u>	<u>200,178</u>	<u>-</u>	<u>(1,268,665)</u>	<u>(78,000)</u>	<u>189,871</u>
Cash and investments - ending	<u>\$ 2,509,362</u>	<u>\$ 4,342,899</u>	<u>\$ 877,490</u>	<u>\$ 2,675,197</u>	<u>\$ 2,999,917</u>	<u>\$ 780,922</u>	<u>\$ 1,483,335</u>	<u>\$ 9,773,830</u>	<u>\$ 73,773</u>	<u>\$ 1,699,494</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, 2014
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education	Early Intervention Grant	Early Intervention Literacy	Early Intervention Literacy - 2014	Wellness	Construction/ Remodel
Cash and investments - beginning	\$ 207,100	\$ 6,611,005	\$ -	\$ 20,881	\$ 2,202	\$ -	\$ -	\$ 2,269	\$ 465,936
Receipts:									
Local sources	975,342	4,756,386	-	-	-	-	-	3,665	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	150,249	-	-	11,610	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,125,591	4,756,386	-	11,610	-	-	-	3,665	-
Disbursements:									
Current:									
Instruction	-	-	-	8,400	-	-	-	-	-
Support services	590,645	15,759	-	-	2,202	55,307	-	-	-
Noninstructional services	-	-	-	-	-	-	-	3,517	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	4,617,584	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	590,645	4,633,343	-	8,400	2,202	55,307	-	3,517	-
Excess (deficiency) of receipts over disbursements	534,946	123,043	-	3,210	(2,202)	(55,307)	-	148	-
Other financing sources (uses):									
Transfers in	147,957	-	-	-	-	-	-	-	-
Transfers out	(64,141)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	83,816	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	618,762	123,043	-	3,210	(2,202)	(55,307)	-	148	-
Cash and investments - ending	\$ 825,862	\$ 6,734,048	\$ -	\$ 24,091	\$ -	\$ (55,307)	\$ -	\$ 2,417	\$ 465,936

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, 2014
 (Continued)

	National Spanish Grant	Gifts/Donations	RDC Grant	RDC Grant - 2014	United Way KDG Camp	High Ability	High Ability Making a Difference	High Ability 2014-2015	Education Technology
Cash and investments - beginning	\$ 19,600	\$ 83,596	\$ -	\$ -	\$ -	\$ 26,017	\$ -	\$ -	\$ -
Receipts:									
Local sources	-	67,165	349,837	-	-	-	-	-	-
Intermediate sources	-	2,500	-	-	-	-	-	-	-
State sources	-	-	-	-	-	53,400	-	-	62,713
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	69,665	349,837	-	-	53,400	-	-	62,713
Disbursements:									
Current:									
Instruction	5,915	66,515	-	-	-	51,403	-	-	62,713
Support services	-	4,479	349,837	-	-	935	-	-	242,072
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	12,986	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	5,915	70,994	349,837	12,986	-	52,338	-	-	304,785
Excess (deficiency) of receipts over disbursements	(5,915)	(1,329)	-	(12,986)	-	1,062	-	-	(242,072)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(13,685)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(13,685)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(19,600)	(1,329)	-	(12,986)	-	1,062	-	-	(242,072)
Cash and investments - ending	\$ -	\$ 82,267	\$ -	\$ (12,986)	\$ -	\$ 27,079	\$ -	\$ -	\$ (242,072)

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, 2014
 (Continued)

	Common School Loan Current	Non-English Speaking Programs P.L. 273-1999	School Technology	Safe Haven	Student Testing	Drug Testing	PCSAC Drug Test	Evisionary Conference	Title I
Cash and investments - beginning	\$ -	\$ 1,097	\$ 113,981	\$ -	\$ 5,058	\$ -	\$ -	\$ 3,555	\$ (48,830)
Receipts:									
Local sources	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	9,688	-	-	-	-
State sources	-	15,107	8,664	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	3,990	619,264
Temporary loans	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	15,107	8,664	-	9,688	-	-	3,990	619,264
Disbursements:									
Current:									
Instruction	-	3,120	-	-	-	-	-	-	549,494
Support services	-	88	6,740	-	2,288	8,214	-	5,619	53,559
Noninstructional services	-	-	-	-	-	-	-	-	2,291
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-	-
Total disbursements	-	3,208	6,740	-	2,288	8,214	-	5,619	605,344
Excess (deficiency) of receipts over disbursements	-	11,899	1,924	-	7,400	(8,214)	-	(1,629)	13,920
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	11,899	1,924	-	7,400	(8,214)	-	(1,629)	13,920
Cash and investments - ending	\$ -	\$ 12,996	\$ 115,905	\$ -	\$ 12,458	\$ (8,214)	\$ -	\$ 1,926	\$ (34,910)

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, 2014
 (Continued)

	Title I Part D	Title I Part D 2014-2015	Improving Teaching Quality, No Child Left, Title II, Part A	Title II A 2014-2015	Evisionary Grant	Title III - Language Instruction	Clearing Account - Payroll	Prepaid Food	Totals
Cash and investments - beginning	\$ (6,344)	\$ -	\$ (21,021)	\$ -	\$ (97)	\$ -	\$ 6,848	\$ -	\$ 35,092,320
Receipts:									
Local sources	-	-	-	-	-	-	-	-	28,940,874
Intermediate sources	-	-	-	-	-	-	-	-	19,688
State sources	-	-	-	-	-	-	-	-	37,504,555
Federal sources	38,806	-	86,703	-	13,548	13,625	-	-	1,766,880
Temporary loans	-	-	-	-	-	-	-	-	4,348,000
Interfund loans	-	-	-	-	-	-	-	-	92,000
Other	-	-	700	-	-	-	8,915,739	-	8,959,901
Total receipts	38,806	-	87,403	-	13,548	13,625	8,915,739	-	81,631,898
Disbursements:									
Current:									
Instruction	29,756	-	73,703	-	-	13,624	-	-	28,071,790
Support services	6,128	-	-	-	13,451	-	-	-	17,086,315
Noninstructional services	-	-	-	-	-	-	-	-	3,315,205
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,035,735
Debt services	-	-	-	-	-	-	-	-	17,426,029
Nonprogrammed charges	-	-	-	-	-	-	8,973,054	-	13,590,638
Interfund loans	-	-	-	-	-	-	-	-	92,000
Total disbursements	35,884	-	73,703	-	13,451	13,624	8,973,054	-	81,617,712
Excess (deficiency) of receipts over disbursements	2,922	-	13,700	-	97	1	(57,315)	-	14,186
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	267,776
Transfers out	-	-	-	-	-	-	-	-	(267,776)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,922	-	13,700	-	97	1	(57,315)	-	14,186
Cash and investments - ending	\$ (3,422)	\$ -	\$ (7,321)	\$ -	\$ -	\$ 1	\$ (50,467)	\$ -	\$ 35,106,506

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, 2015

	General	Debt Service	Retirement/ Severance Bond Debt Service	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Retirement/ Severance Bond	Post- Retirement/ Severance Future Benefits	School Lunch
Cash and investments - beginning	\$ 2,509,362	\$ 4,342,899	\$ 877,490	\$ 2,675,197	\$ 2,999,917	\$ 780,922	\$ 1,483,335	\$ 9,773,830	\$ 73,773	\$ 1,699,494
Receipts:										
Local sources	1,885,959	8,383,649	1,801,169	4,349,690	3,123,699	599,828	70	62,646	-	1,405,962
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	36,987,785	-	-	-	-	-	-	-	-	34,040
Federal sources	-	-	-	-	-	-	-	-	-	1,102,983
Temporary loans	-	1,000,000	800,000	1,500,000	-	-	-	-	-	-
Other	981	-	-	25,000	-	-	-	-	-	-
Total receipts	38,874,725	9,383,649	2,601,169	5,874,690	3,123,699	599,828	70	62,646	-	2,542,985
Disbursements:										
Current:										
Instruction	26,820,677	-	-	-	-	-	-	-	-	-
Support services	8,983,472	-	-	2,134,649	2,465,438	460,941	-	886,265	62,400	70,062
Noninstructional services	806,022	-	-	-	-	-	-	-	-	2,599,225
Facilities acquisition and construction	-	-	-	2,165,232	-	-	-	-	-	-
Debt services	-	9,285,933	2,394,635	1,500,000	960,000	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-	-
Total disbursements	36,610,171	9,285,933	2,394,635	5,799,881	3,425,438	460,941	-	886,265	62,400	2,669,287
Excess (deficiency) of receipts over disbursements	2,264,554	97,716	206,534	74,809	(301,739)	138,887	70	(823,619)	(62,400)	(126,302)
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	500,000	-	-	1,754,244
Transfers out	-	(69,772)	-	-	(500,000)	-	-	-	-	(1,754,244)
Total other financing sources (uses)	-	(69,772)	-	-	(500,000)	-	500,000	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,264,554	27,944	206,534	74,809	(801,739)	138,887	500,070	(823,619)	(62,400)	(126,302)
Cash and investments - ending	\$ 4,773,916	\$ 4,370,843	\$ 1,084,024	\$ 2,750,006	\$ 2,198,178	\$ 919,809	\$ 1,983,405	\$ 8,950,211	\$ 11,373	\$ 1,573,192

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, 2015
 (Continued)

	Textbook Rental	Self- Insurance	Levy Excess	Alternative Education	Early Intervention Grant	Early Intervention Literacy	Early Intervention Literacy - 2014	Wellness	Construction/ Remodel
Cash and investments - beginning	\$ 825,862	\$ 6,734,048	\$ -	\$ 24,091	\$ -	\$ (55,307)	\$ -	\$ 2,417	\$ 465,936
Receipts:									
Local sources	959,131	4,783,405	-	-	-	-	-	5,910	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	142,807	-	7,592	12,395	-	68,307	79,338	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	1,101,938	4,783,405	7,592	12,395	-	68,307	79,338	5,910	-
Disbursements:									
Current:									
Instruction	-	-	-	24,000	-	-	-	-	-
Support services	1,534,072	55,767	-	-	-	13,000	72,703	-	-
Noninstructional services	-	-	-	-	-	-	-	2,442	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	5,327,615	-	-	-	-	-	-	-
Total disbursements	1,534,072	5,383,382	-	24,000	-	13,000	72,703	2,442	-
Excess (deficiency) of receipts over disbursements	(432,134)	(599,977)	7,592	(11,605)	-	55,307	6,635	3,468	-
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	69,772	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	69,772	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(362,362)	(599,977)	7,592	(11,605)	-	55,307	6,635	3,468	-
Cash and investments - ending	\$ 463,500	\$ 6,134,071	\$ 7,592	\$ 12,486	\$ -	\$ -	\$ 6,635	\$ 5,885	\$ 465,936

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, 2015
 (Continued)

	National Spanish Grant	Gifts/Donations	RDC Grant	RDC Grant - 2014	United Way KDG Camp	High Ability	High Ability Making a Difference	High Ability 2014-2015	Education Technology
Cash and investments - beginning	\$ -	\$ 82,267	\$ -	\$ (12,986)	\$ -	\$ 27,079	\$ -	\$ -	\$ (242,072)
Receipts:									
Local sources	-	48,780	-	434,400	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	19,943	55,388	242,072
Federal sources	-	-	-	-	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	-	48,780	-	434,400	-	-	19,943	55,388	242,072
Disbursements:									
Current:									
Instruction	-	46,758	-	-	2,495	27,079	19,943	51,492	-
Support services	-	9,356	-	418,061	-	-	-	-	-
Noninstructional services	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	3,353	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	-	56,114	-	421,414	2,495	27,079	19,943	51,492	-
Excess (deficiency) of receipts over disbursements	-	(7,334)	-	12,986	(2,495)	(27,079)	-	3,896	242,072
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(7,334)	-	12,986	(2,495)	(27,079)	-	3,896	242,072
Cash and investments - ending	\$ -	\$ 74,933	\$ -	\$ -	\$ (2,495)	\$ -	\$ -	\$ 3,896	\$ -

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, 2015
 (Continued)

	Common School Loan Current	Non-English Speaking Programs P.L. 273-1999	School Technology	Safe Haven	Student Testing	Drug Testing	PCSAC Drug Test	Evisionary Conference	Title I
Cash and investments - beginning	\$ -	\$ 12,996	\$ 115,905	\$ -	\$ 12,458	\$ (8,214)	\$ -	\$ 1,926	\$ (34,910)
Receipts:									
Local sources	-	-	80,732	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	1,831	-	-
State sources	93,445	16,948	8,367	5,000	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	651,957
Temporary loans	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	93,445	16,948	89,099	5,000	-	-	1,831	-	651,957
Disbursements:									
Current:									
Instruction	-	17,731	-	-	-	-	-	-	601,912
Support services	177,013	-	16,750	10,000	1,749	-	1,398	-	64,230
Noninstructional services	-	-	-	-	-	-	-	-	5,456
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	177,013	17,731	16,750	10,000	1,749	-	1,398	-	671,598
Excess (deficiency) of receipts over disbursements	(83,568)	(783)	72,349	(5,000)	(1,749)	-	433	-	(19,641)
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	1,474	-	-	-	-
Transfers out	-	-	-	-	(9,688)	8,214	-	-	-
Total other financing sources (uses)	-	-	-	-	(8,214)	8,214	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(83,568)	(783)	72,349	(5,000)	(9,963)	8,214	433	-	(19,641)
Cash and investments - ending	\$ (83,568)	\$ 12,213	\$ 188,254	\$ (5,000)	\$ 2,495	\$ -	\$ 433	\$ 1,926	\$ (54,551)

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, 2015
 (Continued)

	Title I Part D	Title I Part D 2014-2015	Improving Teaching Quality, No Child Left, Title II, Part A	Title II A 2014-2015	Evisionary Grant	Title III - Language Instruction	Clearing Account - Payroll	Prepaid Food	Totals
Cash and investments - beginning	\$ (3,422)	\$ -	\$ (7,321)	\$ -	\$ -	\$ 1	\$ (50,467)	\$ -	\$ 35,106,506
Receipts:									
Local sources	-	-	-	-	-	-	-	-	27,925,030
Intermediate sources	-	-	-	-	-	-	-	-	1,831
State sources	-	-	-	-	-	-	-	-	37,773,427
Federal sources	95,636	7,790	107,262	17,291	-	20,547	-	-	2,003,466
Temporary loans	-	-	-	-	-	-	-	-	3,300,000
Other	-	-	-	-	-	-	8,662,165	604,874	9,293,020
Total receipts	95,636	7,790	107,262	17,291	-	20,547	8,662,165	604,874	80,296,774
Disbursements:									
Current:									
Instruction	90,004	3,648	106,496	30,308	-	20,548	-	-	27,863,091
Support services	2,210	6,126	-	-	-	-	-	-	17,445,662
Noninstructional services	-	-	-	-	-	-	-	-	3,413,145
Facilities acquisition and construction	-	-	-	-	-	-	-	-	2,168,585
Debt services	-	-	-	-	-	-	-	-	14,140,568
Nonprogrammed charges	-	-	-	-	-	-	8,603,594	542,241	14,473,450
Total disbursements	92,214	9,774	106,496	30,308	-	20,548	8,603,594	542,241	79,504,501
Excess (deficiency) of receipts over disbursements	3,422	(1,984)	766	(13,017)	-	(1)	58,571	62,633	792,273
Other financing sources (uses):									
Proceeds of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	2,325,490
Transfers out	-	-	-	-	-	-	-	-	(2,325,490)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,422	(1,984)	766	(13,017)	-	(1)	58,571	62,633	792,273
Cash and investments - ending	\$ -	\$ (1,984)	\$ (6,555)	\$ (13,017)	\$ -	\$ -	\$ 8,104	\$ 62,633	\$ 35,898,779

VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF PAYABLES AND RECEIVABLES
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 593,675</u>	<u>\$ 46,214</u>

VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF LEASES AND DEBT
June 30, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Hasler	Postage Machine	\$ 1,944	10/3/2013	10/2/2018
Hasler	Postage Machine	2,523	4/2/2015	7/2/2018
Hewlett Packard Financial Services	Computer Lease	277,170	6/1/2015	6/1/2018
Ricoh	Copier Lease	8,351	8/17/2012	8/16/2017
U.S. Bank	Copier Lease	11,090	9/1/2010	8/31/2015
Valparaiso Middle School Building Corporation	Holding Corporation Lease Rental	2,486,000	1/5/2013	1/5/2027
Valparaiso Multi Schools Building Corporation	Holding Corporation Lease Rental	5,585,000	6/30/2013	12/31/2017
Xerox	Copier Lease	3,894	9/26/2014	9/25/2019
Xerox	Copier Lease	5,611	7/18/2014	7/17/2018
Xerox Financial Services	Copier Lease	122,100	6/27/2013	6/27/2018
Total of annual lease payments		<u>\$ 8,503,683</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Pension Bonds	\$ 12,885,000	\$ 1,598,720
Tax anticipation warrants	Tax Anticipation Warrants	3,166,000	3,191,504
Notes and loans payable	Common School Loans	<u>725,935</u>	<u>200,353</u>
Totals		<u>\$ 16,776,935</u>	<u>\$ 4,990,577</u>

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VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF CAPITAL ASSETS
June 30, 2015

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 Balance</u>
Governmental activities:	
Land	\$ 7,952,928
Buildings	101,583,771
Improvements other than buildings	4,184,356
Machinery, equipment, and vehicles	<u>14,511,269</u>
Total capital assets	<u><u>\$ 128,232,324</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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, 2013 to June 30, 2015. 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 Title I Grants to Local Educational Agencies

As described in items 2015-003, 2015-004, 2015-005, and 2015-006 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Eligibility, Equipment and Real Property Management, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Graduation (Cohort) Rate that are applicable to its Title I Grants to Local Educational Agencies. 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 Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* 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 Title I Grants to Local Educational Agencies for the period of July 1, 2013 to June 30, 2015.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in items 2015-009, 2015-010, 2015-011, 2015-012, and 2015-013 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Eligibility, Program Income, Reporting, and Special Tests and Provisions - Verifications and Special Tests and Provisions - Paid Lunch Equity 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.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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, 2013 to June 30, 2015.

Unmodified Opinion on the Other Major Federal Program

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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2013 to June 30, 2015.

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 item 2015-008. 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 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

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


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 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, 2015-012, and 2015-013 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying 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

March 14, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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.

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VALPARAISO COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2014 and 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-14	Total Federal Awards Expended 06-30-15
Department of Agriculture					
Child Nutrition Cluster					
School Breakfast Program	Indiana Department of Education	10.553	FY13-14, FY14-15	\$ 128,262	\$ 153,741
National School Lunch Program	Indiana Department of Education	10.555	FY13-14, FY14-15	1,029,051	1,110,482
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY14-15	-	11,398
Total - Department of Agriculture				<u>1,157,313</u>	<u>1,275,621</u>
Department of Education					
Title I Grants to Local Educational Agencies	Indiana Department of Education				
2012-2013 Title I Basic		84.010	13-6560	249,563	-
2013-2014 Title I Basic		84.010	14-6560	369,700	279,248
2014-2015 Title I Basic		84.010	15-6560	-	372,709
Total - Title I Grants to Local Educational Agencies				<u>619,263</u>	<u>651,957</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	Indiana Department of Education				
2012-2013 Title I Part D		84.013	SY 12-13	10,547	-
2013-2014 Title I Part D		84.013	SY 13-14	28,259	95,636
2014-2015 Title I Part D		84.013	SY 14-15	-	7,790
Total - Title I State Agency Program for Neglected and Delinquent Children and Youth				<u>38,806</u>	<u>103,426</u>
Special Education Cluster					
Special Education - Grants to States	Indiana Department of Education				
FY 2012 Federal Part B 611 Grant		84.027	14212-050-PN01	8,611	-
FY 2013 Federal Part B 611 Grant		84.027	14213-050-PN01	280,383	10,452
FY 2014 Federal Part B 611 Grant		84.027	14214-050-PN01	946,735	329,791
FY 2014 Federal Part B 611 Grant		84.027	14215-050-PN01	-	942,491
FY 2014 Federal Technical Assistance Grant Part B Funds		84.027	99914-050-TA01	7,318	17,571
Total - Special Education - Grants To States				<u>1,243,047</u>	<u>1,300,305</u>
Special Education - Preschool Grants	Indiana Department of Education				
FY 2014 Federal Part B 619 Funds		84.173	45714-050-PN01	34,790	-
FY 2015 Federal Part B 619 Funds		84.173	45715-050-PN01	-	34,249
Total - Special Education - Preschool Grants				<u>34,790</u>	<u>34,249</u>
Total Special Education Cluster				<u>1,277,837</u>	<u>1,334,554</u>
English Language Acquisition State Grants	Indiana Department of Education				
2012-2014 Title III		84.365	01113-075-PN01	6,586	-
2014 Title III		84.365	01113-372-PN01	-	619
2013-2015 Title III		84.365	01114-083-PN01	7,040	15,000
2014-2015 Title III		84.365	A58-4-14OT-2062	-	4,928
Total - English Language Acquisition State Grants				<u>13,626</u>	<u>20,547</u>
Improving Teacher Quality State Grants	Indiana Department of Education				
2011-2013 Title II		84.367	FY 2012	62,951	-
2013-2015 Title II		84.367	FY 2014	23,751	107,262
2014-2016 Title II		84.367	FY 2015	-	17,291
Total - Improving Teacher Quality State Grants				<u>86,702</u>	<u>124,553</u>
Total - Department of Education				<u>2,036,234</u>	<u>2,235,037</u>
Total federal awards expended				<u>\$ 3,193,547</u>	<u>\$ 3,510,658</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 (SEFA) includes the federal grant activity of the 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 5-11-1-25), 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, 2014 and 2015. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2014	2015
National School Lunch Program	10.555	\$ 166,369	\$ 172,638

Note 3. Special Education Cooperative

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Special Education Cooperative.

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; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified as to the Special Education Cluster and Qualified as to Title I Grants to Local Educational Agencies and Child Nutrition Cluster

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

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

No matters are reportable.

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-001 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Programs: Special Education - Grants to States, Special Education - Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years: 14212-050-PN01, 14213-050-PN01, 14214-050-PN01,
14215-050-PN01, 45714-050-PN01, 45715-050-PN01,
99914-050-TA01

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 following compliance requirements: Activities Allowed, Allowable Costs/Cost Principles, Level of Effort - Maintenance of Effort, and Period of Availability. 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.

Activities Allowed and Allowable Costs/Cost Principles

Over 95 percent of the grant expenditures were for payroll and related benefit costs for special education personnel. One employee was responsible for the preparation, recording, and payment of the biweekly payroll and related benefit costs. There was no evidence of an oversight or review process. Policies or procedures have also not been designed or implemented to ensure that required periodic certifications are prepared for all personnel paid solely from federal funds or that timesheets for hourly employees indicate the program or fund from which the employee will be paid.

Level of Effort - Maintenance of Effort (MOE)

The School Corporation has not designed or implemented policies and procedures to ensure that the MOE calculation was accurate or that supporting documentation was maintained. One individual calculated and reported the MOE. An oversight, review, or approval process has not been established.

Period of Availability

The School Corporation historically expends the available funds in advance of the end of the period of availability. However, evidence of a review process was not noted to ensure that grant funds are disbursed within the period of availability and that expenditures are not made from expired grant funds.

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

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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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in a 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 the compliance requirements listed above.

***FINDING 2015-002 - INTERNAL CONTROLS OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Activities Allowed, Allowable Costs/Cost Principles, and Period of Availability compliance requirements. 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.

The School Corporation had designed adequate policies or procedures to ensure that expenditures were for an allowable activity, were an allowable cost, and were within the period of availability. However, the School Corporation did not properly implement those controls. The Title I Director is to sign the payroll distribution reports at the end of each payroll to ensure that only Title I employees are paid from Title I funds. Eight of the nine payroll distribution reports could not be found by the School Corporation to ensure that the Title I Director had signed the reports. There was no evidence of segregation of duties, such as an oversight, review, or approval process.

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 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

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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 with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation properly implement the established controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2015-003 - ELIGIBILITY

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Eligibility compliance requirements. 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.

Eligibility - Group or Area

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the enrollment and poverty data for both public and nonpublic schools reported in the grant applications were accurate. There was no segregation of duties, such as an oversight, review, or approval process.

Eligibility - Individuals

The School Corporation has not designed or implemented adequate policies or procedures to ensure that all students eligible for Title I services are accounted for on the "Selection List" completed at each Elementary School and submitted to the Title I Director. There was no segregation of duties, such as an oversight, review, or approval process.

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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 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."

Compliance

Eligibility - Group or Area

The Eligible School Summary portion of the Title I grant application reports the public enrollment, public poverty, nonpublic enrollment and nonpublic poverty data. The records provided by the School Corporation for the public enrollment did not agree with the Eligible School Summary for the 2014 and 2015 program years by 214 and 121 students, respectively. The public poverty data did not agree with the Eligible School Summary for the 2014 and 2015 program years by 29 and 48 students, respectively. The School Corporation did not provide the nonpublic enrollment and the nonpublic poverty data that were reported in the Eligible School Summary for the audit period.

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 76.700 states: "A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

34 CFR 200.78 states in part:

"(a)(1) An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Eligibility compliance requirements. In addition, we recommended that the School Corporation comply with the Eligibility requirements.

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FINDING 2015-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirements. 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.

The School Corporation has not designed or implemented adequate policies or procedures to adequately safeguard or maintain proper records for equipment purchased with federal funds. There was no segregation of duties, such as an oversight, review, or approval process.

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 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."

Compliance

The School Corporation expended \$170,419 to purchase equipment with Title I funds during the audit period. The inventory that was provided did not include the cost of the equipment purchased.

34 CFR 80.32 states in part:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

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- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Equipment and Real Property Management. In addition, we recommended that the School Corporation comply with the Equipment and Real Property Management requirements.

FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - COMPARABILITY

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 13-6560, 14-6560, 15-6560

Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Comparability compliance requirements. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the comparability report was accurate. One person was responsible for preparing and submitting the Comparability report. There was no segregation of duties, such as an oversight, review, or approval process.

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 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.

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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."

Compliance

The comparability reports and supporting documentation were not presented for the audit period.

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 76.700 states: "A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

Indiana Department of Education Title I Comparability of Services Handbook states: "All LEAs must complete comparability yearly and submit information to the SEA every two years for compliance with the comparability requirement. Also, Title I LEAs must develop procedures for compliance with the comparability requirement and implement those procedures annually."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Special Tests and Provisions - Comparability. In addition, we recommended that the School Corporation comply with the Special Tests and Provisions - Comparability requirements.

FINDING 2015-006 - SPECIAL TESTS AND PROVISIONS - GRADUATION (COHORT) RATE

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Graduation (Cohort) Rate. 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.

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The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with the Graduation (Cohort) Rate report requirements. The School Corporation did not have controls in place to ensure that the supporting documentation for students who withdrew was retained. There was no segregation of duties, such as an oversight, review or approval process.

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 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."

Compliance

When a student was removed from the graduation cohort rate (due to a transfer out of state, a transfer out of district, a placement by court order, or a removal by parents), the removal was performed at the High School. Documentation (Exit Forms) of the removal was not retained for audit from the 2013 Graduation Cohort Rate list of students. Documentation for seven of the thirteen students removed from the 2014 Graduation Cohort Rate list of students was not retained for audit.

34 CFR 200.19(b) states in part:

"High schools—(1) Graduation rate. Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a "four-year adjusted cohort graduation rate," defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . .

(ii) The term "adjusted cohort" means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term "students who transfer into the cohort" means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

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- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.
- (2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Special Tests and Provisions- Graduation (Cohort) Rate. In addition, we recommended that the School Corporation comply with the Special Tests and Provisions - Graduation (Cohort) Rate requirements.

FINDING 2015-007 - ACTIVITIES ALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Years: FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed and Allowable Costs/Cost Principles compliance requirements. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that payroll disbursements were for only food service operating costs or that the appropriate supporting documentation was in agreement with the payroll disbursements. There was no segregation of duties, such as oversight, review, or approval process.

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 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.

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(Continued)

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 with the grant agreement or the compliance requirements 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 the Activities Allowed and Allowable Costs/Cost Principles requirements.

FINDING 2015-008 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Years: FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management compliance requirements. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to 3 months average expenditures in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances.

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 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.

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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."

Compliance

The School Corporation maintained cash balances that exceeded the 3 months average expenditures during each month of the audit period. The cash balances exceeded the 3 months average expenditures in amounts from \$946,171 to \$1,224,589 for the 2013-2014 school year. The cash balances exceeded the 3 months average expenditures in amounts from \$714,884 to \$1,050,095 for the 2014-2015 school year.

7 CFR 210.9(b) states in part:

"(b) *Agreement.* Each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary. Nothing in the preceding sentence shall be construed to limit the ability of the State agency to suspend or terminate the agreement in accordance with §210.25. If a single State agency administers any combination of the Child Nutrition Programs, that State agency shall provide each school food authority with a single agreement with respect to the operation of those programs. The agreement shall contain a statement to the effect that the 'School Food Authority and participating schools under its jurisdiction, shall comply with all provisions of 7 CFR parts 210 and 245.' This agreement shall provide that each school food authority shall, with respect to participating schools under its jurisdiction:

- (1) Maintain a nonprofit school food service and observe the requirements for and limitations on the use of nonprofit school food service revenues set forth in §210.14 and the limitations on any competitive school food service as set forth in §210.11;
- (2) Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved in accordance with §210.19(a); . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 the Cash Management compliance requirements. In addition, we recommended that the School Corporation comply with the Cash Management requirements.

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FINDING 2015-009 - ELIGIBILITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Years: FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Eligibility compliance requirements. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals was accurately determined. Applications were not subjected to review prior to the notification of eligibility. There was no segregation of duties, such as an oversight, review, or approval process.

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 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."

Compliance

The Food Service office is responsible for notifying households of their children's eligibility for free or reduced price meals. There is no evidence that the School Corporation notified parents of the approval or denial of their applications.

In addition, 8 percent of the applicants tested were found to have incorrect eligibility determinations. Of the applications tested, 2 percent did not state an eligibility determination.

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7 CFR 245.6(c) states:

"(6) *Notice of approval-*

(i) *Income applications.* The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application form the household.

(ii) *Direct Certification.* Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free or reduced price school meals or milk is required. The notice of eligibility must also inform the household that the parent or guardian must notify the local educational agency if they do not want their children to receive free benefits. However, when the parent or guardian transmits a notice of eligibility provided by SNAP, FDPIR or TANF office, the local educational agency is not required to provide a separate notice of eligibility. The local educational agency must notify in writing, households with children who are approved on the basis of documentation that they are *Categorically Eligible*, as defined in §245.2, that their children are eligible for free meals or free milk, and that no application is required."

7 CFR 245.6(c) states:

"(c) *Determination of eligibility-*(1) Duration of eligibility. Except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 the Eligibility compliance requirements. In addition, we recommended that the School Corporation comply with the Eligibility requirements.

FINDING 2015-010 - PROGRAM INCOME

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

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Internal Controls

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 for Program Income. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. There was no segregation of duties, such as an oversight, review, or approval process.

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 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."

Compliance

1. The School Corporation did not comply with state requirements for accounting for program income generated from the operation of the food service program. All receipts from sales, as well as prepayments, were recorded directly into the School Lunch fund. Prepayments were not recorded in a Prepaid Food fund and regularly allocated to the appropriate School Lunch fund for the first 18 months of the audit period. The School Corporation established the Prepaid Food fund in January 2015 to account for prepayments and began to make the appropriate allocations to the School Lunch fund.
2. In the 2013-2014 school year, the School Corporation overcharged 10 cents for each Adult Breakfast sold in all schools.
3. In the 2014-2015 school year, the High School began serving a new lunch option - the "crave" meal in addition to the regular lunches. The price for the crave meal was \$1 more than the regular lunch price. The higher price for the crave meal was not approved by the School Board. We were not always able to calculate the average price of paid lunches served at the High School due to the accounting for this new meal option.

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

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

7 CFR 210.14 states in part:

"(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 the Program Income compliance requirements. In addition, we recommended that the School Corporation comply with Program Income requirements.

FINDING 2015-011 - REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, and 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement for 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 programs.

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

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Annual Financial Report (AFR) and the Verification Summary Report are accurate. One employee is responsible for preparing and submitting the reports. There was no segregation of duties, such as an oversight, review, or approval process.

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."

Compliance

The School Corporation is required to complete and submit an AFR at the end of each fiscal year. The information reported in the AFR should reflect the financial transactions and position of the School Lunch fund and be supported by the accounting records. Amounts reported in the AFR could not be traced to the records. In addition, the School Corporation is required to complete and submit a Verification Summary Report each school year. This report should reflect that number of verifications completed on applications submitted during the school year. The report was not supported by the records for the 2013-2014 school year.

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements 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 the Reporting compliance requirements. In addition, we recommended that the School Corporation comply with the Reporting requirements.

FINDING 2015-012 - SPECIAL TESTS AND PROVISIONS - VERIFICATIONS

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

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

Internal Controls

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 for Special Tests and Provisions - Verifications. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the correct number of applications was chosen for the verification process. There was no segregation of duties, such as an oversight, review, or approval process.

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 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."

Compliance

The School Corporation did not comply with the verification requirements. The School Corporation is required to verify 3 percent of all applications submitted or 3,000, whichever is less. In the 2013-2014 school year, the total applicants calculated was 662. This required a verification size of 20. The actual number verified only was 17.

7 CFR 245.6a Verification Requirements states in part:

"(3) *Standard sample size.* Unless eligible for an alternate sample size under paragraph (d) of this paragraph, the sample size for each local educational agency shall equal the lesser of:

- (i) Three (3) percent of all application approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or
- (ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Verifications compliance requirements. In addition, we recommended that the School Corporation comply with Special Tests and Provisions - Verifications requirements.

FINDING 2015-013 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10553, 10.555, 10.559

Federal Award Years: FY13-24, FY14-15

Pass-Through Entity: Indiana Department of Education

Internal Controls

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 for Special Tests and Provisions - Paid Lunch Equity. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that paid lunch equity was properly determined and implemented, or that supporting documentation for compliance with paid lunch equity was retained for audit. There was no segregation of duties, such as an oversight, review, or approval process.

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 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)

Compliance

The School Corporation did not comply with the paid lunch equity requirements. The School Corporation is required to establish prices for paid lunches based on the compliance requirements. They must calculate the difference between the per meal federal reimbursement for paid and free lunches. This difference must be compared to the average price of a paid lunch. If the amount of the average price of a paid lunch is less than the difference, then a new paid lunch price is to be established.

The School Corporation's calculations were not retained for audit; therefore, we could not determine if the School Corporation's calculated weighted average price met the paid lunch equity requirements for the audit period. A summary sheet was presented which included the proposed rates. The Elementary lunch price increased five cents for the 2013-2014 school year while all other lunches increased ten cents.

7 CFR 210.14 states in part:

"(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirements. In addition, we recommended that the School Corporation comply with Special Tests and Provisions - Paid Lunch Equity requirements.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.



Valparaiso Community Schools

Food and Nutrition Services

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2013-003

Original SBA Audit Report Number: B43448
Fiscal Year: FY 2012, FY 2013
Auditee Contact Person: Kathleen Kane
Title of Contact Person: Food Service Director
Phone Number: 219-531-3000
Status of Finding:

An internal control system is in place controlling compliance requirements for eligibility, reporting and program income.

Eligibility: Random applications are tested for computed eligibility accuracy through the federally required verification process.

Reporting: Daily reports are prepared by the Bookkeeper and reviewed by the Food Service Director. Monthly claims for federal reimbursement are prepared by the Bookkeeper using data from the point of sale system and reviewed by the Food Service Director prior to submission.

Program Income and School Food Accounts: Segregation of duties has been established for cash handling (cashiers), cash counting (head cashier), deposit record (office clerk), banking (field coordinator) and receipting (bookkeeper). The Food Service Director reviews the daily transmittal report comparing actual cash and checks deposited to point of sale expected cash reports based on sales and prepayments.

Date: _____

2/9/16

Kathleen Kane, SNS, Food Service Director



Valparaiso Community Schools

Food and Nutrition Services

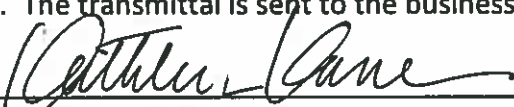
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2013-004

Original SBA Audit Report Number: B43448
Fiscal Year: FY 2012, FY 2013
Auditee Contact Person: Kathleen Kane
Title of Contact Person: Food Service Director
Phone Number: 219-531-3000
Status of Finding:

Internal controls are in place establishing segregation of duties and oversight of program income. Cash collected by cashiers is recorded in the point of sale software. Register drawers are counted by the head cashier and the deposit is assembled. The office clerk verifies and records the amount of each drawer's deposit in the point of sale software. A food service administrator takes the deposit to the bank. Bank deposit receipts and point of sale reports are collected by the bookkeeper. The bookkeeper prepares a daily transmittal report which is reviewed and approved by the Food Service Director. The transmittal is sent to the business office where it is receipted.

 Date 2/9/16
Kathleen Kane, SNS, Food Service Director

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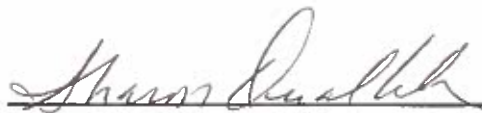
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2013-005

Original SBA Audit Report Number: B43448
Fiscal Year: FY 2012, FY 2013
Auditee Contact Person: Sharon Qualkenbush
Title of Contact Person: CFO
Phone Number: 219-531-3000
Status of Finding:

Business office staff reviewed grant accounting records to determine if items charged to the grant appeared to be consistent with the approved grant budget. Fiscal grant reports and reimbursement requests are prepared, verified, and signed by the Deputy Treasurer. The Treasurer reviewed the fiscal grant reports and reimbursement requests. Expectations were communicated with the Title I Director regarding the submission of required reports in a timely manner.

Signed: _____


Sharon Qualkenbush, Treasurer

Date: January 27, 2016



Valparaiso Community Schools Food and Nutrition Services

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2013-006

Original SBA Audit Report Number: B43448
Fiscal Year: FY 2012, FY 2013
Auditee Contact Person: Kathleen Kane
Title of Contact Person: Title I
Phone Number: 219-531-3000
Status of Finding:

Paper free and reduced meal applications are kept on file in the food service business office. Online applications are saved electronically. Direct certification match files are maintained in the food service business office.

Date

2/9/16

Kathleen Kane, SNS, Food Service Director

VALPARAISO COMMUNITY SCHOOLS



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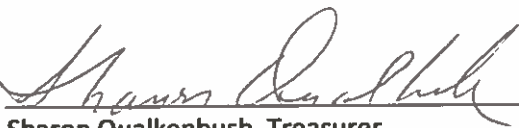
Telephone: (219) 531-3000
FAX: (219) 531-3009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2013-007

Original SBA Audit Report Number: B43448
Fiscal Year: FY 2012, FY 2013
Auditee Contact Person: Sharon Qualkenbush
Title of Contact Person: CFO
Phone Number: 219-531-3000
Status of Finding:

Expectations were communicated with the Title I Director regarding the submission of required reports in a timely manner. The district follows the state guidelines to determine that a Title I teacher is highly qualified. The Human Resources Department verifies that the teacher has the proper licensures according to state regulations.

Signed: 
Sharon Qualkenbush, Treasurer

Date: January 27, 2016

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2013-008

Original SBA Audit Report Number: B43448
Fiscal Year: FY 2012, FY 2013
Auditee Contact Person: Sharon Qualkenbush
Title of Contact Person: CFO
Phone Number: 219-531-3000
Status of Finding:

Business office staff reviewed grant accounting records to determine if items charged to the grant appeared to be consistent with the approved grant budget. Fiscal grant reports and reimbursement requests are prepared, verified, and signed by the Deputy Treasurer. The Treasurer reviewed the fiscal grant reports and reimbursement requests.

The business office staff reviewed grant budgets monthly to ensure that grant funds are on track to be encumbered and expended by the end of the grant deadline. The Deputy Treasurer implemented monthly meetings with grant coordinators to review the budget.

Signed: 
Sharon Qualkenbush, Treasurer

Date: January 27, 2016

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2013-009

Original SBA Audit Report Number: B43448
Fiscal Year: FY 2012, FY 2013
Auditee Contact Person: Sharon Qualkenbush
Title of Contact Person: CFO
Phone Number: 219-531-3000
Status of Finding:

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

Signed: 
Sharon Qualkenbush, Treasurer

Date: January 27, 2016

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Corrective Action Plan Finding 2015-001 – Special Education Cluster

Contact Persons Responsible for Corrective Action:

Dr. E. Ric Frataccia, Superintendent, Valparaiso Community School Corporation
Ms. Quinn Van Rys, CFO, Porter County Education Services Cooperative
Mrs. Sharon Qualkenbush, CFO, Valparaiso Community School Corporation
Mrs. Diane Massa, Executive Director, Porter County Education Services Cooperative

Contact Phone Numbers:

Dr. Frataccia and Mrs. Qualkenbush: 291-531-3000
Ms. Van Rys and Mrs. Massa: 291-464-9607

Description of Corrective Action Plan:

(1) Activities Allowed, Allowable Costs and Period of Availability: (PCES)

Hourly employee's time sheets will be matched with the payroll accounting code report that indicates which employees were paid from which accounts. The report and timesheets will be reviewed to insure correct payment of personnel and evidenced by the (PCES) CFO (initial and date). Certified staff members and account codes from which they are paid will also be included with the payroll account code review process.

(2) Period of Availability:

(PCES) personnel review the summary of receipts and expenditures for each grant fund on a monthly basis. A comparison of year to date receipts, expenditures, and total approved budget amounts for each grant fund provides on-going monitoring to determine the amount of grant funds remaining for expenditure. Once the budget amount has been expended, the grant fund accounts are closed so that additional expenditures from a subsequent period cannot be charged to the completed grant. Such a review will be evidenced by initial and date of (PCES) reviewer.

(3) Level of Effort / Maintenance of Effort (MOE):

(PCES) personnel will calculate the (MOE) of each member school corporation each fiscal year. (PCES) will complete the calculation, summarize the data, and provide that information to VCS for review and evidence. (PCES) will maintain this evidence as documentation for audit review. Please understand that when I and the corporation's Business Manager met with the State Board of Account reviewers, the findings noted in "Finding 2015-001 – Special Education Cluster" were reported to us as "findings" relative to Special Education and not as "findings" relative to the Valparaiso Community School Corporation. Obviously, as Superintendent of the Valparaiso School Corporation, I directly influence the development of a "Corrective Action Plan" relative to any and all "findings" noted by SBA reviewers/auditors.

Conversely, as one of several Board members, I do not have the sole power to direct or order the Porter County Special Education Interlocal to complete and submit a "Corrective Action Plan" relative to the "findings" that SBA reviewers/auditors have identified. As noted previously; however, I will provide the Executive Director of the Porter County Special Education Interlocal the "findings" that pertain to the Special Education Interlocal that have been communicated to me and, in addition, this "Corrective Action Plan" will also be provided to the Executive Director of the Porter County Special Education Interlocal.

"Findings" that pertain to the Valparaiso Community School Corporation will receive our immediate attention and a "Corrective Action Plan" will be developed with expedition in an attempt to ameliorate the concerns.

The Valparaiso Community School Corporation will request the (PCES) to provide the aforementioned Corrective Action Plan – "related" information and documentation for VCS personnel to review as a means to check for compliance.

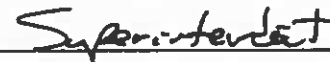
Anticipated Dates to Implement Corrective Actions:

(1), (2), () These plans will be implemented in April, 2016

(3) This plan will be implemented during the next calculation of (MOE) for State reporting.



Signature



Title



Date

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CORRECTIVE ACTION PLAN

FINDING 2015-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The Title I Director will sign off on all Title I related documents. The signed documents will then be sent to Central Office Administration Finance Department for review, verification, and final sign off. These will include all expenditure and payroll documents.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

Calli Dado

(Signature)

Title I Director

(Title)

3-11-14

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

Eligibility – Group or Area

The Title I Director will review and sign off on enrollment data and will then send to Central Office Administration for review, verify and provide final approval and sign off.

Eligibility - Individuals

Building principals will review, verify and sign off on Title I "Selection Lists." Building principals will send "Selection Lists" to Title I Director to review, verify and provide final sign off.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

Calli Dado

(Signature)

Title I Director

(Title)

3-11-10

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The Title I Director will ensure that inventory lists include cost of equipment purchased. Building principals will review, verify, and sign off that the inventory lists are complete and accurate. Inventory documents will then be reviewed, verified and final signed off by the Title I Director. A copy of all inventory documents will be sent to Central Office Administration for final oversight.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

Calli Dado

(Signature)

Title I Director

(Title)

3-11-14

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The Title I Director will work with relevant Title I Staff to complete and 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 reports are submitted in a timely manner. Comparability reports will be sent to Central Office Administration for review, verification and a final sign off.

Anticipated Completion Date:

The Comparability Report for the 2015-16 school year was completed and signed off by the Title I Director and Central Office Administration. This will be done annually.

Calli Dado

(Signature)

Title I Director

(Title)

3-11-16

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-006 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The High School principal will send a copy of all students withdrawn to the Title I Director. The Title I Director will manage oversight by verifying and maintaining records.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

Calli Dado

(Signature)

Title I Director

(Title)

3-11-16

(Date)



Valparaiso Community Schools

Food and Nutrition Services

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CORRECTIVE ACTION PLAN

FINDING 2015-007 ACTIVITIES ALLOWED/ALLOWABLE COSTS

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

Establish an internal control system, with segregation of duties, which provides reporting of payroll and other administrative and operating costs charged to food service for the review, approval and signature of the food service director.

Anticipated Completion Date: March 2016



(Signature)

FSD

(Title)

3-11-16

(Date)



Valparaiso Community Schools

Food and Nutrition Services

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CORRECTIVE ACTION PLAN


FINDING 2015-008 CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

Establish an internal control system, which would include segregation of duties, to monitor the food service cash account balances. The Food Service Director will review the Annual Financial Report with the Chief Financial Officer and report the cash account balance. Balances in excess of three months average expenditures must include a written plan to reduce the balance that is reviewed and approved by the Chief Financial Officer.

Anticipated Completion Date: March 2016



(Signature)

FSI

(Title)

3-11-16

(Date)



Valparaiso Community Schools

Food and Nutrition Services

2727 N. Campbell Street • Valparaiso, IN 46385 •

(219) 531-3050 • www.valpo.k12.in.us Kathleen Kane, SNS, Director

CORRECTIVE ACTION PLAN

FINDING 2015-009 ELIGIBILITY

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

All paper applications received for free and reduced meal benefits will be processed by a Food Service office staff member and then reviewed for accuracy and signed by another Food Service office staff member. Once reviewed, notification of eligibility will be sent and a copy of notification kept on file.

Applications that are submitted electronically and processed by software will be reviewed for accuracy by a Food Service office staff member. Notification letters sent will be tracked electronically and a report generated.

Anticipated Completion Date: March 2016


(Signature)

FSI
(Title)

3-11-16
(Date)



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CORRECTIVE ACTION PLAN

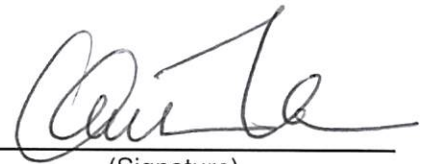
FINDING 2015-010 PROGRAM INCOME

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

- 1) A Prepaid Food fund has been established for direct receipting of prepayments. At the end of each month, the food service director completes a transfer form which allocates the amounts of prepayments spent to the proper fund and supported by point of sale reports. This form is reviewed and approved by the Chief Financial Officer.
- 2) The Food Service bookkeeper and office clerk will test all prices programmed into the point of sale for accuracy. A file will be maintained for reports verifying the accuracy of pricing with the board approved prices. This process will be reviewed by a minimum of two office staff with final approval by the Food Service Director.
- 3) The above testing process will also include a test to ensure reimbursable meals are being counted correctly as well as being appropriately priced for paid, free and reduced price eligible students. The upscale reimbursable lunch price will be included in future price recommendations to the board of education.

Anticipated Completion Date: August 2016



(Signature)

FSD

(Title)

3-11-16

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-011 REPORTING

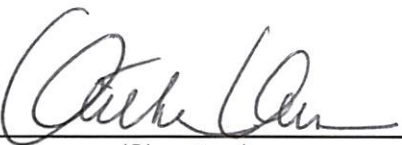
Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

The Annual Financial Report (AFR) will be prepared by Food Service Director and submitted to the Chief Financial Officer for review and approval. The Food Service Director will have access to view and print ledger information in order to prepare the report accurately.

The Verification Summary Report will be prepared by the Food Service Bookkeeper and reviewed and approved by the Food Service Director.

Anticipated Completion Date: August 2016



(Signature)

FSD

(Title)

3-11-16

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-012 Special Tests and Provisions - Verifications

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

The Food Service Bookkeeper will use the point of sale software to determine the random sample for the verification process. The sample will be approved for accuracy by the Food Service Director before the verification process is initiated.

Anticipated Completion Date: November 2016



(Signature)

FSD

(Title)

3-11-16

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-013 Special Tests and Provisions – Paid Lunch Equity

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

The Food Service Bookkeeper will prepare and maintain a file to include all calculations performed to establish prices in compliance with the paid lunch equity requirement. The calculations will be reviewed for accuracy and approved by the Food Service Director. This file will also contain a copy of the paid lunch pricing recommendation to and approval by the Board of Education.

Anticipated Completion Date: March 2016

(Signature)

FSD

(Title)

3-11-16

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.