

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF VALPARAISO
PORTER COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
04/27/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon Emerson Swihart	01-01-12 to 12-31-19
Mayor	Jon Costas	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Jon Costas	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Jan Dick John Bowker	01-01-15 to 12-31-15 01-01-16 to 12-31-17
City Administrator	Bill Oeding	01-01-15 to 12-31-17
Director of Utilities	Steve Poulos	01-01-15 to 12-31-17
Controller of Utilities	Alina Hahn	01-01-15 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Valparaiso (City), which comprises the financial position and results of operations for the year ended December 31, 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 (Indiana Code 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 from 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 City'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 City'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 to the financial statement, the City 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 City for the year ended December 31, 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 City for the year ended December 31, 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 City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 City's financial statement. The Combining Schedule of Receipts, Disbursements, 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 February 23, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

February 23, 2017



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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 CITY OF VALPARAISO, 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 City of Valparaiso (City), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated February 23, 2017, wherein we noted the City 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 City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a material weakness.

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

City of Valparaiso's Response to Finding

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 23, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

CITY OF VALPARAISO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
GENERAL FUND	\$ 4,475,820	\$ 17,640,434	\$ 17,248,560	\$ 4,867,694
MVH	681,395	2,159,032	1,675,944	1,164,483
LOCAL ROAD & STREET	449,928	339,148	599,999	189,077
PARKING METER	164,271	196,680	97,624	263,327
EMERGENCY MEDICAL SERVICE	180,785	1,336,019	1,208,484	308,320
CRIME CONTROL - EXTRA PATROL	8,307	21,239	20,518	9,028
TRANSPORTATION-V LINE	1,372,735	918,932	777,444	1,514,223
LOCAL POLICE EDUCATION	125,492	38,423	39,967	123,948
UNSAFE BUILDING FUND	75,166	1,000	25,945	50,221
RIVERBOAT FUND	981,112	187,966	-	1,169,078
RAINY DAY FUND	3,715,169	250,000	250,000	3,715,169
EDIT FUND	718,053	2,188,241	1,870,831	1,035,463
FORFEITURE & SEIZED ASSET	4,718	-	-	4,718
VALPO FIRE PROTECT TERR	479,143	9,356,633	9,392,746	443,030
CCIF - CIGARETTE TAX	908,191	79,697	-	987,888
CUMULATIVE CAPITAL DEV.	90,953	232,285	219,830	103,408
EQUIPMENT REPLACEMENT	290,138	460,920	274,354	476,704
EMPLOYEE BENEFIT PLAN	1,485,386	4,457,256	3,724,049	2,218,593
CUMULATIVE SEWER	1,189,926	477,605	482,698	1,184,833
POLICE PENSION	735,044	599,417	604,135	730,326
FIRE PENSION	826,106	750,444	740,401	836,149
PARK & REC FUND	349,783	3,506,286	3,312,137	543,932
DEPOSITS FROM DEVELOPERS	16,889	-	-	16,889
GEN. GIFT CERT.	51,469	12,840	9,832	54,477
BIKE LOCKERS	90	65	-	155
NON-REV. CAP.	44,621	13,432	29,657	28,396
CREEKSIDE DEBT SERVICE	240,738	3,230,130	3,428,962	41,906
CS REV.BOND-DEBT RESERVE	-	217,331	-	217,331
PARK SALES TAX	1,782	29,789	26,451	5,120
SPECIAL GIFT	58,674	15,938	26,835	47,777
PARK IMPACT FEES	264,008	327,548	264,584	326,972
PARK TREE FUND	10,921	3,251	7,834	6,338
CITY TREE ORD.	1,149	-	325	824
NON-REV. OP.	588,088	2,137,669	1,899,977	825,780
PARK CASH	1,258	-	-	1,258
CREDIT CARD FUND	30,363	1,092,092	1,025,511	96,944
EMPLOYEE HEALTH CLAIMS	2,898	379	3,277	-
RENTAL REGISTRATION	9,505	270	-	9,775
POLICE-BULLET PROOF PARTN	3,402	1,939	-	5,341
POLICE GRANT-EQUIPMENT	924	-	-	924
UTC GRANT	12	-	-	12
TOBACCO ED. GRANT	1,239	-	50	1,189
US 30 CORRIDOR GRANT	(24,794)	319,131	347,149	(52,812)
CENT ELEM RAIN GARD GRANT	(1,650)	1,650	-	-
FACADE IMPROVEMENT	65,181	-	65,181	-
GIFT	16,407	36,627	21,954	31,080
POLICE VEHICLE EQUIPMENT	75,710	20,170	12,342	83,538
TRANSPORTATION-DASH	805,722	799,361	1,041,735	563,348
TRANS. DASH CREDIT CARD	832,108	297,404	6,417	1,123,095
2006 BOND ISSUE	24	-	-	24
CORPORATION BOND & INT.	432,032	1,082,018	1,167,975	346,075
REFUNDING BOND 2012	10,708	-	-	10,708
REFUNDING BOND 2015	-	97,309	89,683	7,626
FIREFIGHTING FUND	31,738	30,295	53,587	8,446
CAPITAL EQUIPMENT	-	325,000	325,000	-
CEMETERY	214,525	22,270	71,358	165,437
SIGN DEPOSITS	1,000	-	-	1,000
PAYROLL FUND	-	13,750,438	13,750,438	-
RDC GENERAL FUND	-	1,463,956	303,295	1,160,661
RDC PROJECT FUND	10,842,675	2,462,570	10,406,620	2,898,625
RDC GRANT FUND	(33,612)	197,996	487,257	(322,873)
RDC DEBT RESERVE	1,800,016	164,950	-	1,964,966
RDC-CONSOLIDATED AREA	15,019,513	6,288,100	10,874,466	10,433,147
INDIANA POLICE & FIRE	254	-	-	254
STORM WATER BOARD	2,182,844	2,433,490	2,236,081	2,380,253
STORM WATER BOND AND INTEREST	858,930	-	-	858,930
WASTEWATER UTILITY-CONSTRUCTION	-	2,583,472	503,207	2,080,265
RETAINAGE	-	13,893	-	13,893
WASTEWATER UTILITY-OPERATING	718,041	12,652,414	12,555,429	815,026
WASTEWATER UTILITY-BOND AND INTEREST	787,423	15,302,965	15,375,335	715,053
WASTEWATER UTILITY-DEPRECIATION/IMPROVEMENT	2,305,301	6,858,764	5,598,434	3,565,631
WASTEWATER UTILITY DEBT RESERVE	986,362	536,601	80,000	1,442,963
WATER UTILITY-TANK PAINTING FUND	-	39,006	-	39,006
WATER UTILITY-RETAINAGE	-	446,257	-	446,257
WATER UTILITY-OPERATING	1,045,370	10,282,432	10,513,045	814,757
WATER UTILITY-BOND AND INTEREST	181,472	1,737,455	1,507,957	410,970
WATER UTILITY-CUSTOMER DEPOSIT	133,238	100,918	170,168	63,988
WATER UTILITY-CONSTRUCTION	17,622,545	31,442	11,627,804	6,026,183
WATER UTILITY-IMPROVEMENT	1,159,030	15,401,548	13,707,351	2,853,227
WATER UTILITY-DEBT RESERVE	534,872	231,966	-	766,838
Totals	\$ 79,238,636	\$ 148,292,198	\$ 162,188,229	\$ 65,342,605

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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the 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:

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

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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

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

E. Disbursements

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

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

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. *Property Taxes*

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

Note 4. *Deposits and Investments*

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

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

Note 5. *Risk Management*

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

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

Note 6. *Pension Plans*

A. *Public Employees' Retirement Fund*

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is 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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

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

On Behalf Payments

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

C. 1937 Firefighters' Pension Plan

Plan Description

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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

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

On Behalf Payments

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

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

Plan Description

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

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

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

E. Water and Water Reclamation Utility Defined Contribution Pension Plan

Plan Description

The Water Utility has a defined contribution pension plan administered by Centier Bank as authorized by Indiana Code 8-1.5-3-7. The employees of both the Water and Water Reclamation Utilities participate in the plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the governing board of the Utilities and the plan administrator. The plan administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Centier Bank
4th Floor Wealth Management
600 East 84th Avenue
Merrillville, IN 46410-6366
Phone (219) 755-6110

Funding Policy

The plan provides for up to 6 percent salary contributions per pay by the employees to be matched 100 percent by the employer. The employee can also make additional voluntary contributions allowable by applicable IRS rules. The additional contribution is not matched by the employer.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of funds being set up for reimbursable grants. The reimbursements for expenditures made by the City were not received by December 31, 2015.

Note 8. Holding Corporation

The City entered into a capital lease with the Valparaiso Municipal Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related-party of the City. Lease payments during the year 2015 totaled \$544,000.

Note 9. Subsequent Events

Rate Increases

On November 25, 2013, ordinances were approved by the City Council to increase both water and sewer rates. The water rates will increase in three phases starting on January 1, 2014, when rates increased by 19.01 percent. On July 1, 2014, the rates increased by 10.76 percent. The final phase will increase rates by 2.79 percent on January 1, 2016. The sewer rates will increase on the same schedule, but will increase by 18 percent, 8 percent, and 4 percent, respectively.

Pratt

On September 17, 2013, Pratt Paper, a recycled paper and packaging company, announced plans to locate a paper mill in Valparaiso, Indiana. The mill will be a heavy water user at an average of 1.0 million gallons per day and will discharge approximately .75 million gallons per day of sewage. Estimated revenues for both water and sewer are \$1.6 million per year and will be realized in 2016.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENT
(Continued)

Bond Issuance

On August 8, 2016, the Common Council approved the Issuance of Bonds for the refunding of the City of Valparaiso Redevelopment District Tax Increment Revenue Bonds of 2006 and 2009 not to exceed \$4,200,000.

Note 10. Other Postemployment Benefits

The City provides to eligible retirees and their spouses the following benefits: health and dental insurance. These benefits do not pose a liability to the City as retirees are required to pay actual costs of insurance. Information regarding the benefits can be obtained by contacting the City.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the City's Annual Financial Report 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 City. It is presented as intended by the City.

CITY OF VALPARAISO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015

	GENERAL FUND	MVH	LOCAL ROAD & STREET	PARKING METER	EMERGENCY MEDICAL SERVICE	CRIME CONTROL - EXTRA PATROL	TRANSPORTATION- V LINE
Cash and investments - beginning	\$ 4,475,820	\$ 681,395	\$ 449,928	\$ 164,271	\$ 180,785	\$ 8,307	\$ 1,372,735
Receipts:							
Taxes	9,097,800	904,549	-	-	-	-	-
Licenses and permits	461,883	7,860	-	-	-	-	-
Intergovernmental receipts	2,519,435	1,225,595	330,457	-	-	21,239	364,912
Charges for services	1,312,557	-	-	42,972	-	-	211,756
Fines and forfeits	925	-	-	46,550	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	4,247,834	21,028	8,691	107,158	1,336,019	-	342,264
Total receipts	17,640,434	2,159,032	339,148	196,680	1,336,019	21,239	918,932
Disbursements:							
Personal services	10,201,505	1,020,346	-	41,485	-	20,518	4,218
Supplies	687,554	321,394	299,999	-	-	-	64,261
Other services and charges	3,275,881	334,204	300,000	9,775	1,192	-	708,965
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	46,250	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,083,620	-	-	114	1,207,292	-	-
Total disbursements	17,248,560	1,675,944	599,999	97,624	1,208,484	20,518	777,444
Excess (deficiency) of receipts over disbursements	391,874	483,088	(260,851)	99,056	127,535	721	141,488
Cash and investments - ending	\$ 4,867,694	\$ 1,164,483	\$ 189,077	\$ 263,327	\$ 308,320	\$ 9,028	\$ 1,514,223

CITY OF VALPARAISO
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015
(Continued)

	LOCAL POLICE EDUCATION	UNSAFE BUILDING FUND	RIVERBOAT FUND	RAINY DAY FUND	EDIT FUND	FORFEITURE & SEIZED ASSET	VALPO FIRE PROTECT TERR
Cash and investments - beginning	\$ 125,492	\$ 75,166	\$ 981,112	\$ 3,715,169	\$ 718,053	\$ 4,718	\$ 479,143
Receipts:							
Taxes	-	-	-	-	-	-	5,646,336
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	187,966	-	2,188,090	-	493,439
Charges for services	-	-	-	-	-	-	809,908
Fines and forfeits	37,825	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	598	1,000	-	250,000	151	-	2,406,950
Total receipts	38,423	1,000	187,966	250,000	2,188,241	-	9,356,633
Disbursements:							
Personal services	-	-	-	-	-	-	6,303,352
Supplies	-	-	-	-	-	-	130,080
Other services and charges	39,967	25,945	-	-	1,537,725	-	533,948
Debt service - principal and interest	-	-	-	-	-	-	17,840
Capital outlay	-	-	-	-	333,106	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	250,000	-	-	2,407,526
Total disbursements	39,967	25,945	-	250,000	1,870,831	-	9,392,746
Excess (deficiency) of receipts over disbursements	(1,544)	(24,945)	187,966	-	317,410	-	(36,113)
Cash and investments - ending	\$ 123,948	\$ 50,221	\$ 1,169,078	\$ 3,715,169	\$ 1,035,463	\$ 4,718	\$ 443,030

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	CCIF - CIGARETTE TAX	CUMULATIVE CAPITAL DEV.	EQUIPMENT REPLACEMENT	EMPLOYEE BENEFIT PLAN	CUMULATIVE SEWER	POLICE PENSION	FIRE PENSION
Cash and investments - beginning	\$ 908,191	\$ 90,953	\$ 290,138	\$ 1,485,386	\$ 1,189,926	\$ 735,044	\$ 826,106
Receipts:							
Taxes	-	215,476	423,917	-	-	-	-
Licenses and permits	-	-	-	-	477,605	-	-
Intergovernmental receipts	79,697	16,809	37,003	-	-	599,417	750,444
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	4,457,256	-	-	-
Total receipts	79,697	232,285	460,920	4,457,256	477,605	599,417	750,444
Disbursements:							
Personal services	-	-	-	55,703	-	591,937	739,779
Supplies	-	-	-	-	-	98	98
Other services and charges	-	-	34,243	3,666,299	-	12,100	524
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	219,830	240,111	-	482,698	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	2,047	-	-	-
Total disbursements	-	219,830	274,354	3,724,049	482,698	604,135	740,401
Excess (deficiency) of receipts over disbursements	79,697	12,455	186,566	733,207	(5,093)	(4,718)	10,043
Cash and investments - ending	\$ 987,888	\$ 103,408	\$ 476,704	\$ 2,218,593	\$ 1,184,833	\$ 730,326	\$ 836,149

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	PARK & REC FUND	DEPOSITS FROM DEVELOPERS	GEN. GIFT CERT.	BIKE LOCKERS	NON-REV. CAP.	CREEKSIDE DEBT SERVICE
Cash and investments - beginning	\$ 349,783	\$ 16,889	\$ 51,469	\$ 90	\$ 44,621	\$ 240,738
Receipts:						
Taxes	2,064,696	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	161,238	-	-	-	-	-
Charges for services	130,352	-	12,840	65	13,432	3,230,130
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,150,000	-	-	-	-	-
Total receipts	<u>3,506,286</u>	<u>-</u>	<u>12,840</u>	<u>65</u>	<u>13,432</u>	<u>3,230,130</u>
Disbursements:						
Personal services	2,011,741	-	-	-	-	-
Supplies	118,278	-	-	-	-	-
Other services and charges	394,443	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	84,750	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	702,925	-	9,832	-	29,657	3,428,962
Total disbursements	<u>3,312,137</u>	<u>-</u>	<u>9,832</u>	<u>-</u>	<u>29,657</u>	<u>3,428,962</u>
Excess (deficiency) of receipts over disbursements	<u>194,149</u>	<u>-</u>	<u>3,008</u>	<u>65</u>	<u>(16,225)</u>	<u>(198,832)</u>
Cash and investments - ending	<u>\$ 543,932</u>	<u>\$ 16,889</u>	<u>\$ 54,477</u>	<u>\$ 155</u>	<u>\$ 28,396</u>	<u>\$ 41,906</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	CS REV. BOND-DEBT RESERVE	PARK SALES TAX	SPECIAL GIFT	PARK IMPACT FEES	PARK TREE FUND	CITY TREE ORD.
Cash and investments - beginning	\$ -	\$ 1,782	\$ 58,674	\$ 264,008	\$ 10,921	\$ 1,149
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	217,331	29,789	15,938	227,548	3,251	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	100,000	-	-
Total receipts	217,331	29,789	15,938	327,548	3,251	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	26,451	26,835	264,584	7,834	325
Total disbursements	-	26,451	26,835	264,584	7,834	325
Excess (deficiency) of receipts over disbursements	217,331	3,338	(10,897)	62,964	(4,583)	(325)
Cash and investments - ending	\$ 217,331	\$ 5,120	\$ 47,777	\$ 326,972	\$ 6,338	\$ 824

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	NON-REV. OP.	PARK CASH	CREDIT CARD FUND	EMPLOYEE HEALTH CLAIMS	RENTAL REGISTRATION	POLICE-BULLET PROOF PARTN
Cash and investments - beginning	\$ 588,088	\$ 1,258	\$ 30,363	\$ 2,898	\$ 9,505	\$ 3,402
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	1,939
Charges for services	2,137,669	-	1,092,092	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	379	270	-
Total receipts	2,137,669	-	1,092,092	379	270	1,939
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,899,977	-	1,025,511	3,277	-	-
Total disbursements	1,899,977	-	1,025,511	3,277	-	-
Excess (deficiency) of receipts over disbursements	237,692	-	66,581	(2,898)	270	1,939
Cash and investments - ending	\$ 825,780	\$ 1,258	\$ 96,944	\$ -	\$ 9,775	\$ 5,341

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	POLICE GRANT- EQUIPMENT	UTC GRANT	TOBACCO ED. GRANT	US 30 CORRIDOR GRANT	CENT ELEM RAIN GARD GRANT	FACADE IMPROVEMENT
Cash and investments - beginning	\$ 924	\$ 12	\$ 1,239	\$ (24,794)	\$ (1,650)	\$ 65,181
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	319,131	1,650	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	-	-	-	319,131	1,650	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	50	-	-	-
Other services and charges	-	-	-	-	-	65,181
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	347,149	-	-
Total disbursements	-	-	50	347,149	-	65,181
Excess (deficiency) of receipts over disbursements	-	-	(50)	(28,018)	1,650	(65,181)
Cash and investments - ending	\$ 924	\$ 12	\$ 1,189	\$ (52,812)	\$ -	\$ -

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	GIFT	POLICE VEHICLE EQUIPMENT	TRANSPORTATION- DASH	TRANS. DASH CREDIT CARD	2006 BOND ISSUE	CORPORATION BOND & INT.
Cash and investments - beginning	\$ 16,407	\$ 75,710	\$ 805,722	\$ 832,108	\$ 24	\$ 432,032
Receipts:						
Taxes	-	-	-	-	-	891,905
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	422,531	-	-	61,113
Charges for services	-	-	126,530	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	36,627	20,170	250,300	297,404	-	129,000
Total receipts	36,627	20,170	799,361	297,404	-	1,082,018
Disbursements:						
Personal services	-	-	17,508	-	-	-
Supplies	-	-	88,727	-	-	-
Other services and charges	-	12,342	935,500	6,417	-	623,975
Debt service - principal and interest	-	-	-	-	-	415,000
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	21,954	-	-	-	-	129,000
Total disbursements	21,954	12,342	1,041,735	6,417	-	1,167,975
Excess (deficiency) of receipts over disbursements	14,673	7,828	(242,374)	290,987	-	(85,957)
Cash and investments - ending	\$ 31,080	\$ 83,538	\$ 563,348	\$ 1,123,095	\$ 24	\$ 346,075

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	REFUNDING BOND 2012	REFUNDING BOND 2015	FIREFIGHTING FUND	CAPITAL EQUIPMENT	CEMETERY	SIGN DEPOSITS
Cash and investments - beginning	\$ 10,708	\$ -	\$ 31,738	\$ -	\$ 214,525	\$ 1,000
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	28,795	-	22,270	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	97,309	1,500	325,000	-	-
Total receipts	-	97,309	30,295	325,000	22,270	-
Disbursements:						
Personal services	-	-	49,835	-	-	-
Supplies	-	-	3,752	-	-	-
Other services and charges	-	89,683	-	85,000	27,500	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	240,000	43,858	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	89,683	53,587	325,000	71,358	-
Excess (deficiency) of receipts over disbursements	-	7,626	(23,292)	-	(49,088)	-
Cash and investments - ending	\$ 10,708	\$ 7,626	\$ 8,446	\$ -	\$ 165,437	\$ 1,000

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	PAYROLL FUND	RDC GENERAL FUND	RDC PROJECT FUND	RDC GRANT FUND	RDC DEBT RESERVE	RDC- CONSOLIDATED AREA
Cash and investments - beginning	\$ -	\$ -	\$ 10,842,675	\$ (33,612)	\$ 1,800,016	\$ 15,019,513
Receipts:						
Taxes	-	209,641	-	-	-	6,264,895
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	197,996	-	-
Charges for services	-	3,900	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	13,750,438	1,250,415	2,462,570	-	164,950	23,205
Total receipts	13,750,438	1,463,956	2,462,570	197,996	164,950	6,288,100
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	53,418	-	-	-	6,726,211
Debt service - principal and interest	-	-	-	-	-	2,254,523
Capital outlay	-	249,877	10,406,620	-	-	1,276,740
Utility operating expenses	-	-	-	-	-	-
Other disbursements	13,750,438	-	-	487,257	-	616,992
Total disbursements	13,750,438	303,295	10,406,620	487,257	-	10,874,466
Excess (deficiency) of receipts over disbursements	-	1,160,661	(7,944,050)	(289,261)	164,950	(4,586,366)
Cash and investments - ending	\$ -	\$ 1,160,661	\$ 2,898,625	\$ (322,873)	\$ 1,964,966	\$ 10,433,147

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	INDIANA POLICE & FIRE	STORM WATER BOARD	STORM WATER BOND AND INTEREST	WASTEWATER UTILITY- CONSTRUCTION	RETAINAGE	WASTEWATER UTILITY- OPERATING
Cash and investments - beginning	\$ 254	\$ 2,182,844	\$ 858,930	\$ -	\$ -	\$ 718,041
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	2,428,364	-	-	-	8,935,628
Penalties	-	-	-	-	-	81,079
Other receipts	-	5,126	-	2,583,472	13,893	3,635,707
Total receipts	-	2,433,490	-	2,583,472	13,893	12,652,414
Disbursements:						
Personal services	-	249,508	-	-	-	1,644,157
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	125,143
Debt service - principal and interest	-	-	-	-	-	32,068
Capital outlay	-	189,017	-	-	-	-
Utility operating expenses	-	-	-	-	-	2,585,936
Other disbursements	-	1,797,556	-	503,207	-	8,168,125
Total disbursements	-	2,236,081	-	503,207	-	12,555,429
Excess (deficiency) of receipts over disbursements	-	197,409	-	2,080,265	13,893	96,985
Cash and investments - ending	\$ 254	\$ 2,380,253	\$ 858,930	\$ 2,080,265	\$ 13,893	\$ 815,026

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	WASTEWATER UTILITY-BOND AND INTEREST	WASTEWATER UTILITY- DEPRECIATION/ IMPROVEMENT	WASTEWATER UTILITY DEBT RESERVE	WATER UTILITY-TANK PAINTING FUND	WATER UTILITY- RETAINAGE	WATER UTILITY- OPERATING
Cash and investments - beginning	\$ 787,423	\$ 2,305,301	\$ 986,362	\$ -	\$ -	\$ 1,045,370
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	9,471,968
Penalties	-	-	-	-	-	63,212
Other receipts	15,302,965	6,858,764	536,601	39,006	446,257	747,252
Total receipts	15,302,965	6,858,764	536,601	39,006	446,257	10,282,432
Disbursements:						
Personal services	-	-	-	-	-	1,872,409
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	154,640
Debt service - principal and interest	12,482,631	-	-	-	-	31,238
Capital outlay	-	4,826,589	-	-	-	-
Utility operating expenses	312,349	-	-	-	-	2,328,439
Other disbursements	2,580,355	771,845	80,000	-	-	6,126,319
Total disbursements	15,375,335	5,598,434	80,000	-	-	10,513,045
Excess (deficiency) of receipts over disbursements	(72,370)	1,260,330	456,601	39,006	446,257	(230,613)
Cash and investments - ending	\$ 715,053	\$ 3,565,631	\$ 1,442,963	\$ 39,006	\$ 446,257	\$ 814,757

CITY OF VALPARAISO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	WATER UTILITY- BOND AND INTEREST	WATER UTILITY- CUSTOMER DEPOSIT	WATER UTILITY- CONSTRUCTION	WATER UTILITY- IMPROVEMENT	WATER UTILITY-DEBT RESERVE	Totals
Cash and investments - beginning	\$ 181,472	\$ 133,238	\$ 17,622,545	\$ 1,159,030	\$ 534,872	\$ 79,238,636
Receipts:						
Taxes	-	-	-	-	-	25,719,215
Licenses and permits	-	-	-	-	-	947,348
Intergovernmental receipts	-	-	-	-	-	9,980,101
Charges for services	-	-	-	-	-	9,669,125
Fines and forfeits	-	-	-	-	-	85,300
Utility fees	-	-	-	-	-	20,835,960
Penalties	-	-	-	-	-	144,291
Other receipts	1,737,455	100,918	31,442	15,401,548	231,966	80,910,858
Total receipts	1,737,455	100,918	31,442	15,401,548	231,966	148,292,198
Disbursements:						
Personal services	-	-	-	-	-	24,824,001
Supplies	-	-	-	-	-	1,714,291
Other services and charges	-	-	-	-	-	19,780,221
Debt service - principal and interest	1,507,957	-	-	-	-	16,741,257
Capital outlay	-	-	-	12,854,819	-	31,494,265
Utility operating expenses	-	-	-	-	-	5,226,724
Other disbursements	-	170,168	11,627,804	852,532	-	62,407,470
Total disbursements	1,507,957	170,168	11,627,804	13,707,351	-	162,188,229
Excess (deficiency) of receipts over disbursements	229,498	(69,250)	(11,596,362)	1,694,197	231,966	(13,896,031)
Cash and investments - ending	\$ 410,970	\$ 63,988	\$ 6,026,183	\$ 2,853,227	\$ 766,838	\$ 65,342,605

CITY OF VALPARAISO
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2015

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 842,051	\$ 93,193
Storm Water	27,871	169,093
Wastewater	452,741	693,716
Water	<u>952,496</u>	<u>683,414</u>
Totals	<u>\$ 2,275,159</u>	<u>\$ 1,639,416</u>

CITY OF VALPARAISO
SCHEDULE OF LEASES AND DEBT
December 31, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Atlas Bobcat	Atlas Bobcat Toocat 5600	\$ 20,360	06/02/2015	05/29/2016
Centier Bank	Garbage Trucks	78,767	06/26/2013	06/26/2017
Centier Bank	Jacobsen Tractor	12,762	04/09/2013	04/09/2018
Centier Bank	Fire Territory Vehicles	82,856	03/06/2015	06/06/2018
Centier Bank	Public Works Equipment Various	100,540	12/06/2014	11/12/2021
Everbank	Turfco Blower & Smithco Sprayer	10,920	05/01/2015	02/01/2020
Ford Motor Credit	Squad Cars 2016	36,383	08/28/2015	08/28/2018
Ford Motor Credit	Squad Cars	40,929	08/30/2014	08/30/2017
Ford Motor Credit	Squad Cars	39,205	09/30/2013	09/30/2016
Horizon Bank	2015 Dump Truck/Plows (4) Hot Box (1) Column Jacks (6)	22,074	11/12/2014	11/12/2021
Horizon Bank	Ambulance & Related Equipment	104,805	09/01/2013	09/01/2016
Horizon Bank	Furniture & Fixtures Public works	10,519	12/09/2015	12/09/2017
Horizon Bank	One (1) 2015 Dump Truck/Plow	21,765	10/15/2014	10/15/2021
Horizon Bank	One (1) 2015 Dump Truck/Plow	21,765	10/15/2014	10/15/2021
Horizon Bank	One (1) 2015 Dump Truck/Plow	21,765	10/15/2014	10/15/2021
TCF Equipment	Golf Carts (45)	37,056	07/30/2014	06/30/2018
Valparaiso Municipal Building Corp	Public Works Facility	415,000	01/15/2014	07/15/2031
Wells Fargo	John Deere 8800 Terrain Cut Rough Mower	10,836	04/20/2015	04/30/2020
Western Equipment Finance	AR-522 Mower	8,556	09/13/2012	08/13/2016
Total governmental activities		<u>1,096,863</u>		
Wastewater:				
Centier Bank	2014 Caterpillar 924K Wheel Loader	28,587	05/01/2015	01/01/2018
Valparaiso Municipal Building Corp	Public Works Facility - Sewer Portion	64,500	01/15/2014	07/15/2031
Total Wastewater		<u>93,087</u>		
Water:				
1st Source Bank	2016 Ford F59 with Utilmaster Upfit	18,914	12/11/2015	01/11/2017
Valparaiso Municipal Building Corporation	Public Works Facility - Distribution Portion	64,500	01/15/2014	07/15/2031
Total Water		<u>83,414</u>		
Total of annual lease payments		<u>\$ 1,273,364</u>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	General Obligation Refunding Bonds Series 2015	\$ 3,485,000	\$ 292,459
General obligation bonds	2012 Refunding Bond	2,610,000	311,045
Revenue bonds	Redevelopment District Tax Increment Bonds Series 2014 B	5,225,000	699,100
Revenue bonds	Redevelopment District Tax Increment Bonds Series 2014 A	6,235,000	828,600
Revenue bonds	Redevelopment District Tax Increment Revenue Bonds Series 2009	2,055,000	272,062
Revenue bonds	Redevelopment District Special Taxing District Bonds Series 2006A	2,415,000	453,950
Revenue bonds	Redevelopment District Tax Increment Revenue Bonds Series 2015A	2,500,000	163,799
Revenue bonds	Park and Recreation district Refunding Bonds Series 2015	2,895,000	215,303
Revenue bonds	Taxable Economic Development Revenue Bonds Series 2015	10,000,000	691,022
Total governmental activities		<u>37,420,000</u>	<u>3,927,340</u>
Storm Water:			
Revenue bonds	Stormwater Mgmt. District Revenue Bonds of 2011 Series B	1,430,000	264,686
Revenue bonds	Stormwater Mgmt. District Revenue Bonds of 2011 Series A	4,640,000	568,800
Total Storm Water		<u>6,070,000</u>	<u>833,486</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2011	1,303,000	106,389
Revenue bonds	Sewage Works Revenue Bonds of 2013	6,415,000	1,237,136
Revenue bonds	Sewage Works Refunding Revenue Bonds 2015	10,200,000	266,451
Revenue bonds	Sewage Works Revenue Bonds of 2015	2,565,000	183,431
Total Wastewater		<u>20,483,000</u>	<u>1,793,407</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds of 2013	3,975,000	613,382
Revenue bonds	Waterworks Revenue Bonds of 2010	2,140,000	107,675
Revenue bonds	Waterworks Revenue Bonds of 2014 Series A	10,345,000	729,000
Revenue bonds	Waterworks Revenue Bonds of 2014 Series B	7,185,000	193,995
Total Water		<u>23,645,000</u>	<u>1,644,052</u>
Totals		<u>\$ 87,618,000</u>	<u>\$ 8,198,285</u>

CITY OF VALPARAISO
SCHEDULE OF CAPITAL ASSETS
December 31, 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.

	Ending Balance
Governmental activities:	
Land	\$ 9,084,430
Infrastructure	83,938,828
Buildings	32,946,703
Improvements other than buildings	10,887,114
Machinery, equipment, and vehicles	<u>15,904,760</u>
Total governmental activities	<u>152,761,835</u>
Storm Water:	
Land	442,415
Infrastructure	<u>14,924,419</u>
Total Storm Water	<u>15,366,834</u>
Wastewater:	
Land	575,915
Infrastructure	35,424,246
Buildings	26,713,755
Improvements other than buildings	127,217
Machinery, equipment, and vehicles	32,485,093
Construction in progress	<u>688,236</u>
Total Wastewater	<u>96,014,462</u>
Water:	
Land	423,126
Infrastructure	33,942,482
Buildings	5,014,221
Improvements other than buildings	588,774
Machinery, equipment, and vehicles	16,963,311
Construction in progress	<u>12,976,291</u>
Total Water	<u>69,908,205</u>
Total capital assets	<u>\$ 334,051,336</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
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

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

Report on Compliance for the Major Federal Program

We have audited the City of Valparaiso's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

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


Report on Internal Control over Compliance

Management of the City 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 City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 23, 2017

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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 City. The schedule and notes are presented as intended by the City.

CITY OF VALPARAISO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Coastal Zone Management Administration Awards	Indiana Department of Natural Resources	11.419	NA13NOS4190046	\$ -	\$ 1,533
Central Elementary Rain Garden					
Total - Department of Commerce				-	1,533
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct	16.607	1121-0235	-	1,939
Bulletproof Vest Partnership					
Total - Department of Justice				-	1,939
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
Five Point Roundabout			DES #0810295	-	184
Calumet Ave @ Burlington Beach Rd			DES #0810434	-	159,080
Burlington Beach Rd @ S.R. 49			DES #0900074	-	2,480
Vale Park West Pathway			DES #1173705	-	36,252
US 30 Corridor Improvements			DES #1298670	-	315,774
US 30 Corridor Landscape			DES #1401812	-	3,357
Total - Highway Planning and Construction Cluster				-	517,127
Federal Transit Cluster					
Federal Transit_Formula Grants	Northwestern Indiana Regional Planning Commission	20.507			
V-Line			IN-90-X667	-	39,640
V-Line Route Study			IN-90-X609	-	11,597
Chicago Dash			IN-90-X667	-	28,476
V-Line			IN-90-X653	-	153,193
Chicago Dash			IN-90-X653	-	116,079
Chicago Dash 4th Bus			IN-95-X035	-	117,494
Total - Federal Transit Cluster				-	466,479
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600			
Operation Pullover			2435	-	6,198
Alcohol Impaired Driving					
Countermeasures Incentive Grants I	City of Portage	20.601			
DUI Assistance			OP-12-04-02-45	-	2,811
Total - Highway Safety Cluster				-	9,009
Total - Department of Transportation				-	992,615
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster					
Capitalizaon Grants for Clean					
Water State Revolving Funds	Indiana Finance Authority	66.458			
Wastewater Treatment Expansion			WW091286402	-	101,454
Total - Clean Water State Revolving Fund Cluster				-	101,454
Total - Environmental Protection Agency				-	101,454
Total federal awards expended				\$ -	\$ 1,097,541

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

CITY OF VALPARAISO
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 City under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF VALPARAISO
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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weakness identified?	no
Significant deficiency identified?	none reported

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no
--	----

Identification of Major Program and type of auditor's report issued on compliance:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Highway Planning and Construction Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2015-001 - FINANCIAL TRANSACTIONS

Condition

There were deficiencies in the internal control system of the City related to financial transactions. The City had not separated incompatible activities related to receipts and cash and investment balances.

CITY OF VALPARAISO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Parks Department processed approximately \$1,000,000 in credit card payments. The bookkeeper at the Parks Department did not reconcile the credit card bank account to the CREDIT CARD FUND. The bookkeeper only reconciled the credit card activity on a monthly basis; another individual approved that reconciliation, but was unaware that there was no reconciliation of the CREDIT CARD FUND to the bank account.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the City had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the City at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENTS

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



Office of the Clerk Treasurer
City Hall, 166 Lincolnway
Valparaiso, IN 46383
Email: sswihart@valpo.us
Phone: 219.462.1161
Fax: 219.464.4273
www.valpo.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

2014:

City of Valparaiso Park and Recreation:

Contact Person Responsible for Corrective Action: Sharon Emerson Swihart, Clerk-Treasurer


Contact Phone Number: 219-462-1161

Status of Audit Finding:

Because we did not receive the audit finding until 2016 we were unable to correct it in 2015.


(Signature)


(Title)


(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002

Fiscal year in which the finding initially occurred: 2014


Pass-Through Entity: Northwestern Indiana Regional Planning Commission

Contact Person Responsible for Corrective Action: Tyler Kent (Planner)

Contact Phone Number: 219-462-1161

Status of Audit Finding:

Due to the timing of the audit, the finding was corrected on 2016.



(Signature)



(Title)



(Date)

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CORRECTIVE ACTION PLAN**FINDING 2014-002**

Contact Person Responsible for Corrective Action: Taylor Wegrzyn, Assistant Planner
Contact Phone Number: (219) 462-1161

Description of Corrective Action Plan:

The City of Valparaiso participates in Federal Transportation Administration programs. As such, it is the City's responsibility to maintain internal control over these Federal programs. Currently, one City employee is responsible for preparing and submitting all requests for reimbursements and reports. The City will take the actions stated in this plan in order to correct these internal control deficiencies.

In order to obtain proper internal control, the City shall implement these additional oversight measures:

1. Compliance with the City of Valparaiso Grant Policy

- A. *Prior to and while requesting Federal and State grant reimbursements, the Assistant Planner will work according to the City of Valparaiso's Federal and State Grant Policy approved by the Board of Public Works and Safety, Resolution NO. 1, 2015. The Assistant Planner will comply with all components of the policy to ensure proper authorization for the requests is obtained and to inform the Clerk-Treasurer's Office of all requirements associated with each grant.*

2. Preparation of Requests for Reimbursement:

- A. *Quarterly/Annual Reimbursements: Upon the end of a fiscal quarter or year, the Assistant Planner shall prepare requests for transit reimbursements along with any additional reports required by the FTA, DOT, INDOT, The City of Valparaiso, NIRPC, or associated grant recipients.*
- B. *Other Reimbursements: Requests for reimbursements which are not required to be submitted at quarterly or annual intervals shall be prepared by the Assistant Planner as necessary. The requests shall include any additional reports required by the FTA, DOT, INDOT, the City of Valparaiso, NIRPC, or any associated grant recipients.*

3. Review of Requests for Reimbursement:

- a. *Delivery: Any requests for transit reimbursements will be delivered to the Planning Director in full for their review. The requests along with any associated reports will be delivered to the Planning Director on a timely*

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basis allowing for their review prior to any required reporting/reimbursement deadlines.

- b. *Review: The Planning Director, working with the Clerk-Treasurer's Office, will review said documents for compliance requirements within the federal program and the City's Grant Policy.*
- c. *Approval: If the requests for reimbursement are found to be in compliance, the Planning Director will sign all requests for reimbursement with his/her initials.*
- d. *Disapproval: If the Director finds the requests for reimbursement to be noncompliant, he/she will return the requests to the Assistant Planner for correction.*
- e. *Continued Disapproval: If the Planning Director finds that the requests for reimbursement have been intentionally misused or the Assistant Planner has continually failed to correct requests, the Planning Director will relieve the Assistant Planner of the requests and undertake the duty of preparing the requests. The Planning Director will submit the revised requests for reimbursement to the Clerk-Treasurer's Office for their approval. The Deputy Clerk-Treasurer will review the requests for compliance and initial the requests should they approve.*

4. Submittals:

- a. *Upon approval and signature by the Planning Director, the Assistant Planner will submit all requests for reimbursement to the applicable parties. The Planning Director will be copied on all electronic mail submittals. For in-print submittals, the Assistant Planner will submit only copies containing the Planning Director's original signatures.*

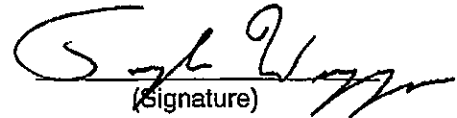
5. Receiving of Funds:

- a. *When funds are received from the awarding agency, the Clerk-Treasurer's Office will record the amount received in the fund records and ensure that the funds received are consistent with the requests for reimbursement approved by the Planning Director.*

Anticipated Completion Date: Effective Immediately (January 13, 2015)

Our City...Our Values

Honestly Accountable Surprisingly Responsive Boldly Proactive Creatively Frugal Respectfully Compassionate


(Signature)

Assistant Planner
(Title)

1/26/16
(Date)

CITY OF VALPARAISO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - INTERNAL CONTROL OVER FEDERAL TRANSIT FORMULA GRANTS

Federal Agency: Department of Transportation
Federal Program: Federal Transit-Formula Grants
CFDA Number: 20.507
Federal Award Numbers: IN-90-X636, IN-90-X609, IN-90-X653, IN-95-X035
Pass-Through Entity: Northwestern Indiana Regional Planning Commission

The City has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management, Matching and Reporting compliance requirements. The failure to establish an effective internal control system places the City 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 City has not designed or implemented adequate policies or procedures to ensure that requests for reimbursement, matching percentage calculations, or required reports were accurately prepared. One person was responsible for preparing and submitting all requests for reimbursements and reports

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."

CITY OF VALPARAISO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 City.

We recommended that the City establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Sharon Emerson Swihart, Clerk-Treasurer
Contact Phone Number: 219-462-1161

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The credit card bank account will be reconciled by the Bookkeeper each month. Because so many types of Park Revenue come into the credit card account, the Park Department Bookkeeper keeps an Excel spreadsheet every day reconciling the revenue into its proper category.

The bank statement will be reconciled with the spreadsheets of receipts, with a monthly balance sheet and the monthly fund report. The Assistant Bookkeeper will review and indicate, with a check mark and initial or signing of the bank statement, Excel balance sheet and fund report that she has reviewed and concurs with the credit card bank statement balances.

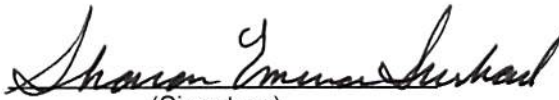
The current balance of the credit card account, as of December 30, 2016 is as

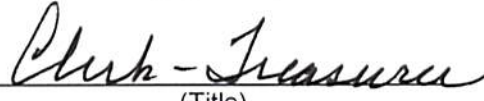
follows: Bank Statement - \$ 82,346.72

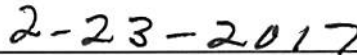
Park Credit Card Fund - \$ 83,140.40

There is a difference of \$ 923.58 after reconciliation. We will monitor that difference monthly and if that amount remains the same until March of 2017, we will transfer that amount into miscellaneous revenue.

Anticipated Completion Date: March 31, 2017


(Signature)


(Title)


(Date)

OTHER REPORTS

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