

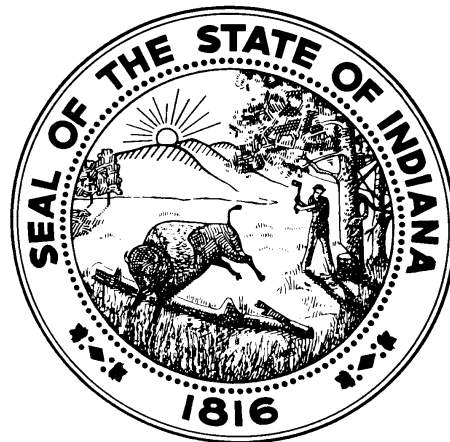
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF VALPARAISO

PORTER COUNTY, INDIANA



FILED
12/08/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon Emerson Swihart	01-01-08 to 12-31-11
Mayor	Jon Costas	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Jon Costas	01-01-08 to 12-31-11
President of the Common Council	Jon Costas	01-01-08 to 12-31-11
Superintendent of Utilities	John Hardwick	01-01-08 to 12-31-09
City Administrator	William Hanna Bill Oeding	01-01-08 to 03-31-09 04-01-09 to 12-31-09



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 5, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of

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

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedules of Contributions From the Employer and Other Contributing Entities, and Budgetary Comparison Schedule, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 5, 2009



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the City's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 5, 2009

CITY OF VALPARAISO
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 9,369,871	\$ 1,071,949	\$ 24,991	\$ -	\$ (8,272,931)	\$ -	\$ (8,272,931)
Public safety	9,721,141	1,535,701	94,437	-	(8,091,003)	-	(8,091,003)
Highways and streets	4,466,828	7,262	1,373,662	301,552	(2,784,352)	-	(2,784,352)
Sanitation	1,557,754	1,722,236	-	-	164,482	-	164,482
Health and welfare	294	568,026	-	-	567,732	-	567,732
Economic development	10,098,940	-	-	4,000	(10,094,940)	-	(10,094,940)
Culture and recreation	3,611,185	1,145,225	-	-	(2,465,960)	-	(2,465,960)
Principal and interest on indebtedness	2,005,329	-	-	-	(2,005,329)	-	(2,005,329)
Total governmental activities	<u>40,831,342</u>	<u>6,050,399</u>	<u>1,493,090</u>	<u>305,552</u>	<u>(32,982,301)</u>	<u>-</u>	<u>(32,982,301)</u>
Business-type activities:							
Stormwater Utility	1,543,396	617,818	-	412,315	-	(513,263)	(513,263)
Water Reclamation Utility	13,787,847	6,605,721	-	-	-	(7,182,126)	(7,182,126)
Water Utility	7,377,870	4,928,987	-	1,147,803	-	(1,301,080)	(1,301,080)
Total business-type activities	<u>22,709,113</u>	<u>12,152,526</u>	<u>-</u>	<u>1,560,118</u>	<u>-</u>	<u>(8,996,469)</u>	<u>(8,996,469)</u>
Total primary government	<u>\$ 63,540,455</u>	<u>\$ 18,202,925</u>	<u>\$ 1,493,090</u>	<u>\$ 1,865,670</u>	<u>(32,982,301)</u>	<u>(8,996,469)</u>	<u>(41,978,770)</u>
General receipts:							
Property taxes					22,196,924	-	22,196,924
Intergovernmental					2,237,022	-	2,237,022
Other local sources					6,227,430	-	6,227,430
Grants and contributions not restricted to specific programs					1,258,316	-	1,258,316
Investment earnings					577,207	501,330	1,078,537
Net tax anticipation warrant proceeds (repayments)					(1,442,643)	-	(1,442,643)
Total general receipts and net tax anticipation warrant proceeds (repayments)					<u>31,054,256</u>	<u>501,330</u>	<u>31,555,586</u>
Change in net assets					(1,928,045)	(8,495,139)	(10,423,184)
Net assets - beginning					20,167,632	23,037,385	43,205,017
Prior period adjustment (Note III C)					(457,000)	(153,199)	(610,199)
Restated net assets - beginning					<u>19,710,632</u>	<u>22,884,186</u>	<u>42,594,818</u>
Net assets - ending					<u>\$ 17,782,587</u>	<u>\$ 14,389,047</u>	<u>\$ 32,171,634</u>
Assets							
Cash and investments					\$ 5,859,961	\$ 4,092,949	\$ 9,952,910
Restricted assets:							
Cash and investments					<u>11,922,626</u>	<u>10,296,098</u>	<u>22,218,724</u>
Total assets					<u>\$ 17,782,587</u>	<u>\$ 14,389,047</u>	<u>\$ 32,171,634</u>
Net Assets							
Restricted for:							
Highways and streets					\$ 2,202,628	\$ -	\$ 2,202,628
Debt service					1,019,738	2,524,349	3,544,087
Capital outlay					8,700,260	-	8,700,260
Other purposes					-	7,771,749	7,771,749
Unrestricted					<u>5,859,961</u>	<u>4,092,949</u>	<u>9,952,910</u>
Total net assets					<u>\$ 17,782,587</u>	<u>\$ 14,389,047</u>	<u>\$ 32,171,634</u>

CITY OF VALPARAISO
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Redevelopment Consolidated TIF Area	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 14,315,022	\$ 3,854,240	\$ 4,027,662	\$ 22,196,924
Licenses and permits	318,265	9,040	528,621	855,926
Intergovernmental	988,263	1,163,186	4,802,230	6,953,679
Charges for services	2,660,298	-	2,119,886	4,780,184
Fines and forfeits	6,465	-	79,732	86,197
Interfund loans	-	2,875,000	4,409,500	7,284,500
Other	1,157,438	227,926	728,190	2,113,554
Total receipts	19,445,751	8,129,392	16,695,821	44,270,964
Disbursements:				
General government	5,315,135	-	1,325,177	6,640,312
Public safety	8,910,071	-	644,924	9,554,995
Highways and streets	840,000	-	2,950,670	3,790,670
Sanitation	1,557,754	-	-	1,557,754
Health and welfare	-	-	294	294
Economic development	-	7,282,697	2,816,243	10,098,940
Culture and recreation	-	-	3,521,531	3,521,531
Interfund loans	2,200,000	150,000	4,934,500	7,284,500
Debt service:				
Principal	-	490,000	623,500	1,113,500
Interest	-	293,925	597,904	891,829
Capital outlay:				
General government	-	-	49,250	49,250
Public safety	-	-	166,146	166,146
Highways and streets	-	-	676,158	676,158
Culture and recreation	-	-	89,654	89,654
Total disbursements	18,822,960	8,216,622	18,395,951	45,435,533
Excess (deficiency) of receipts over disbursements	622,791	(87,230)	(1,700,130)	(1,164,569)
Other financing sources (uses):				
Tax anticipation warrant proceeds	6,568,526	-	-	6,568,526
Tax anticipation warrant repayments	(8,011,169)	-	-	(8,011,169)
Transfers in	-	-	698,245	698,245
Transfers out	-	(365,300)	(332,945)	(698,245)
Other receipts	-	523,844	21,576	545,420
Total other financing sources (uses)	(1,442,643)	158,544	386,876	(897,223)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(819,852)	71,314	(1,313,254)	(2,061,792)
Cash and investment fund balance - beginning	1,769,976	4,896,675	12,261,341	18,927,992
Prior period adjustment (Note III C)	-	-	(457,000)	(457,000)
Restated cash and investment fund balance - beginning	1,769,976	4,896,675	11,804,341	18,470,992
Cash and investment fund balance - ending	\$ 950,124	\$ 4,967,989	\$ 10,491,087	16,409,200
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:				
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.				
				<u>1,373,387</u>
Net assets of governmental activities				\$ 17,782,587
Cash and Investment Assets - Ending				
Cash and investments	\$ 950,124	\$ -	\$ 3,536,450	\$ 4,486,574
Restricted assets:				
Cash and investments	-	4,967,989	6,954,637	11,922,626
Total cash and investment assets - ending	\$ 950,124	\$ 4,967,989	\$ 10,491,087	\$ 16,409,200
Cash and Investment Fund Balance - Ending				
Restricted for:				
Highways and streets	\$ -	\$ -	\$ 2,202,628	\$ 2,202,628
Debt service	-	-	1,019,738	1,019,738
Capital outlay	-	4,967,989	3,732,271	8,700,260
Unrestricted	950,124	-	3,536,450	4,486,574
Total cash and investment fund balance - ending	\$ 950,124	\$ 4,967,989	\$ 10,491,087	\$ 16,409,200

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

CITY OF VALPARAISO
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Stormwater	Water Reclamation Utility	Water Utility	Totals	Internal Service Funds
Operating receipts:					
Unmetered/flat rate	\$ 607,252	\$ -	\$ -	\$ 607,252	\$ -
Metered/measured	-	6,605,721	2,976,179	9,581,900	-
Employee contributions	-	-	-	-	384,912
Employer contributions	-	-	-	-	1,751,308
Employee contributions from utilities	-	-	-	-	82,182
Employer contributions from utilities	-	-	-	-	548,785
Miscellaneous	10,566	-	1,952,808	1,963,374	46,869
Total operating receipts	617,818	6,605,721	4,928,987	12,152,526	2,814,056
Operating disbursements:					
Salaries and wages	-	1,638,187	1,105,987	2,744,174	-
Employee pensions and benefits	-	357,360	539,747	897,107	-
Sludge removal	-	156,397	-	156,397	-
Purchased power	-	43,246	301,008	344,254	-
Chemicals	-	77,217	121,142	198,359	-
Material and supplies	-	514,824	895,508	1,410,332	-
Contractual services	-	-	233,782	233,782	-
Rents	-	4,263	-	4,263	-
Transportation	-	85,872	-	85,872	-
Insurance claims and expense	-	86,031	96,814	182,845	2,680,309
Administration and general	170,860	-	-	170,860	-
Equipment and capital improvements	1,062,668	7,276,280	2,660,292	10,999,240	-
Miscellaneous	27,640	1,457,413	759,766	2,244,819	-
Total operating disbursements	1,261,168	11,697,090	6,714,046	19,672,304	2,680,309
Excess (deficiency) of operating receipts over operating disbursements	(643,350)	(5,091,369)	(1,785,059)	(7,519,778)	133,747
Nonoperating receipts (disbursements):					
Investment income	32,937	405,683	62,710	501,330	-
Debt service of principal	(150,000)	(837,187)	(350,000)	(1,337,187)	-
Interest disbursements	(132,228)	(1,253,570)	(313,824)	(1,699,622)	-
Total nonoperating receipts (disbursements)	(249,291)	(1,685,074)	(601,114)	(2,535,479)	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(892,641)	(6,776,443)	(2,386,173)	(10,055,257)	133,747
Capital contributions	412,315	-	1,147,803	1,560,118	-
Transfers in	282,228	6,770,000	2,033,638	9,085,866	2,325,602
Transfers out	(282,228)	(6,770,000)	(2,033,638)	(9,085,866)	(2,325,602)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(480,326)	(6,776,443)	(1,238,370)	(8,495,139)	133,747
Cash and investment fund balance - beginning	2,171,430	14,933,274	5,932,681	23,037,385	1,239,640
Prior period adjustment (Note III C)	-	(153,199)	-	(153,199)	-
Restated cash and investment fund balance - beginning	2,171,430	14,780,075	5,932,681	22,884,186	1,239,640
Cash and investment fund balance - ending	\$ 1,691,104	\$ 8,003,632	\$ 4,694,311	\$ 14,389,047	\$ 1,373,387
Cash and Investment Assets - December 31					
Cash and investments	\$ 1,691,104	\$ 619,467	\$ 1,782,378	\$ 4,092,949	\$ 1,373,387
Restricted assets:					
Cash and investments	-	7,384,165	2,911,933	10,296,098	-
Total cash and investment assets - December 31	\$ 1,691,104	\$ 8,003,632	\$ 4,694,311	\$ 14,389,047	\$ 1,373,387
Cash and Investment Fund Balance - December 31					
Restricted for:					
Debt service	\$ -	\$ 1,678,564	\$ 845,785	\$ 2,524,349	\$ -
Other purposes	-	5,705,601	2,066,148	7,771,749	-
Unrestricted	1,691,104	619,467	1,782,378	4,092,949	1,373,387
Total cash and investment fund balance - December 31	\$ 1,691,104	\$ 8,003,632	\$ 4,694,311	\$ 14,389,047	\$ 1,373,387

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

CITY OF VALPARAISO
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 471,692	
Plan members	349	
State	<u>620,191</u>	
Total additions	<u>1,092,232</u>	
Deductions:		
Benefits	1,176,834	
Refunds of contributions	1,804	
Administrative and general	<u>1,129</u>	
Total deductions	<u>1,179,767</u>	
Excess (deficiency) of total additions over total deductions	(87,535)	
Cash and investment fund balance - beginning	<u>206,883</u>	
Cash and investment fund balance - ending	<u>\$ 119,348</u>	<u>\$ 96,874</u>

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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS

I. 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 Town Council form of government and provides 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, stormwater, and urban redevelopment.

The City's financial reporting entity is composed of the City as the primary Government. No significant component unit's require inclusion.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints all but one of the board members of the Valparaiso Community School Corporation. The City also appoints a commission member of the Northwestern Indiana Regional Planning Commission, who must be an elected official of the City.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Redevelopment Consolidated TIF Area accounts for all financial resources received from property taxes attributable to the Tax Incremental Financing (TIF) district within the City to fund the payment of debt and issuance of debt to provide infrastructure for the TIF district.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The water reclamation utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The stormwater utility fund accounts for the operation of the stormwater collection system.

Additionally, the City reports the following fund types:

The internal service funds account for the employee health insurance provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for payroll deductions and collections for state and local government units, and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and the Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

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

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

- 1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
- 2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
- 3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The City does not have a deposit policy for custodial credit risk. At December 31, 2008, the City had deposit balances in the amount of \$32,387,856.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>
Major Fund	Other governmental funds	\$ 365,300
Other governmental funds	Other governmental funds	<u>332,945</u>
Total		<u>\$ 698,245</u>

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

C. Restatements

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent corrections to ending cash balances previously reported.

<u>Opinion Unit</u>	<u>Balance as Reported December 31, 2007</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2008</u>
Statement of Activities and Net Assets -			
Cash and Investment Basis:			
Governmental activities	\$ 20,167,632	\$ (457,000)	\$ 19,710,632
Business-type activities	23,037,385	(153,199)	22,884,186
Statement of Assets and Fund Balances and			
Receipts, Disbursements, and Changes in			
Fund Balances - Cash and Investment Basis			
Governmental Funds	18,927,992	(457,000)	18,470,992
Statement of Assets and Fund Balances and			
Receipts, Disbursements, and Changes in			
Fund Balances - Cash and Investment Basis			
Proprietary Funds	23,037,385	(153,199)	22,884,186

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits. The risk financing fund is accounted for in the Employee Benefit Plan and Health Claim Funds, internal service funds,) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 per year plus a \$25,000 aggregating deductible. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries to Employees

During 1999, the City and Utilities joined with other governmental entities to form the Indiana Public Employer's Plan (IPEP), a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related injuries and illnesses coverage. The City pays an annual premium to the risk pool for its job related injuries and illnesses coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Subsequent Events

State Pension Relief Fund

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Tax Increment Revenue Bonds

The City has issued the City of Valparaiso Redevelopment District Tax Increment Revenue Bonds, Series 2009 (North Central Area Project) on September 18, 2009, totaling \$3,100,000 at an interest rate of 3.75%.

Tax Anticipation Warrants

On December 8, 2008, the City Council approved tax anticipation warrants for the General Fund in the amount of \$4,889,007.

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2008. Significant delays in the reassessment process have resulted in delays in billing taxes in 2008 and 2009. A provisional tax bill for the 2007 pay 2008 was mailed June 11, 2008, due on July 18, 2008. The reconciliation tax bill for the 2007 pay 2008 was mailed on February 23, 2009, with a due date of April 13, 2009. Final distribution of 2008 taxes collected was made on September 30, 2009. Tax bills normally due in May and November of 2009 have not been mailed as of November 5, 2009.

C. Conduit Debt Obligation

From time to time, the City has issued economic development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying notes to the financial statements.

As of December 31, 2008, information was not available regarding the issued or aggregate amount outstanding of the conduit debt obligation.

D. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the City Council on September 23, 2002.

Water Reclamation Utility

The current rate structure was approved by the City Council on November 27, 2006.

Stormwater Utility

The current rate structure was approved by the City Council on April 27, 1998.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

PERF members are required to contribute three percent of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is five percent of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the PERF Board of Trustees.

Annual Pension Cost

For 2008, the City's annual pension cost of \$140,789 for PERF was equal to the City's required and actual contributions.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a first class patrolman. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2008 is \$461,754. The contribution requirements of plan members and the City are established by state statute. Of this amount, \$278,714 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2008, the City's annual pension cost of \$483,900 for the 1925 Police Officers Pension Plan was equal to the City's required and actual contributions.

c. 1937 Firefighters' Pension Plan

Plan Description

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

Funding Policy

Plan members are required by state statute (IC 36-8-7-8) to contribute an amount equal to six percent (6%) of the salary of a fully paid first class firefighter. The City is required to contribute an amount equal to the funding deficit of the difference between receipts of the fund and the required disbursements of the fund (pay-as-you-go basis); the amount contributed for 2008 is \$630,129. The contribution requirements of plan members and the City are established by state statute. Of this amount, \$341,477 is contributed by the State of Indiana on behalf of the City. On behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Annual Pension Cost

For 2008, the City's annual pension cost of \$681,100 for the 1937 Firefighters' Pension Plan was equal to the City's required and actual contributions.

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 137,060	\$ 499,300	\$ 710,000
Interest on net pension obligation	(26,717)	58,600	110,500
Adjustment to annual required contribution	30,446	(74,000)	(139,400)
Annual pension cost	140,789	483,900	681,100
Contributions made	252,293	461,754	630,129
Increase (decrease) in net pension obligation	(111,504)	22,146	50,971
Net pension obligation, beginning of year	(368,513)	977,141	1,842,020
Net pension obligation, end of year	<u>\$ (480,017)</u>	<u>\$ 999,287</u>	<u>\$ 1,892,991</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	5%	%	%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-08	01-01-08
Actuarial cost method	Entry age normal cost	Entry age	Entry age
Amortization method	Level dollar, closed amortization period	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-07	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital
Amortization period	30 years	30 years	30 years
Amortization period (from date)	07-01-07	12-31-97	2-31-97
Asset valuation method	Level dollar, closed amortization period	4 year smoothed market	4 year smoothed market

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	4%	4%	4%
Cost-of-living adjustments	1.5%	2.75/4%*	2.75/4%*
Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	4%	5%	5%
Cost-of-living adjustments	1.5%	2%	0%

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 282,590	96%	\$ (327,166)
	06-30-07	214,697	119%	(368,513)
	06-30-08	140,789	179%	(480,017)
1925 Police Officers' Pension Plan	12-31-06	450,600	95%	899,369
	12-31-07	470,900	83%	977,141
	12-31-08	483,900	95%	999,287
1937 Firefighters' Pension Plan	12-31-06	653,400	82%	1,677,120
	12-31-07	670,200	75%	1,842,020
	12-31-08	681,100	93%	1,892,991

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	21	21

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funded status and Funding Progress for the Above Plans

The funded status of each plan as of July 1, 2008, the most recent actuarial valuation date except 1925 Police Officers' and 1937 Firefighters' pension funds which is as of January 1, 2008; is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 7,914,503	\$ 6,643,980	\$ 1,270,523	119%	\$ 4,757,668	27%
1925 Police Officers' Pension Plan	86,291	6,573,900	(6,487,609)	1%	46,600	(13,922%)
1937 Firefighters' Pension Plan	120,592	9,276,800	(9,156,208)	1%	93,200	(9,824%)

The Schedules of Funding Progress, presented as RSI for the above plans following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability for benefits.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF VALPARAISO
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$1,063,970, \$895,552, and \$815,908, respectively, equal to the required contributions for each year.

CITY OF VALPARAISO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 6,594,415	\$ 5,740,258	\$ 854,157	115%	\$ 4,841,654	18%
07-01-07	7,388,623	5,601,216	1,787,407	132%	4,658,253	38%
07-01-08	7,914,503	6,643,980	1,270,523	119%	4,757,668	27%

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 412,879	\$ 6,720,300	\$ (6,307,421)	6%	\$ 185,300	(3,404%)
01-01-04	317,960	6,837,700	(6,519,740)	5%	112,700	(5,785%)
01-01-05	139,065	6,333,900	(6,194,835)	2%	118,300	(5,237%)
01-01-06	366,504	6,299,800	(5,933,296)	6%	41,700	(14,229%)
01-01-07	188,017	6,476,600	(6,288,583)	3%	44,100	(14,260%)
01-01-08	86,291	6,573,900	(6,487,609)	1%	46,600	(13,922%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 524,566	\$ 9,390,300	\$ (8,865,734)	6%	\$ 221,500	(4,003%)
01-01-04	355,144	9,994,700	(9,639,556)	4%	112,200	(8,591%)
01-01-05	152,624	9,249,500	(9,096,876)	2%	115,600	(7,869%)
01-01-06	377,528	9,140,200	(8,762,672)	4%	83,400	(10,507%)
01-01-07	207,543	9,276,100	(9,068,557)	2%	88,100	(10,293%)
01-01-08	120,592	9,276,800	(9,156,208)	1%	93,200	(9,824%)

CITY OF VALPARAISO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-03	\$ 785,500	0%	36%
	12-31-04	808,200	0%	29%
	12-31-05	470,900	0%	135%
	12-31-06	462,600	0%	93%
	12-31-07	484,000	0%	81%
	12-31-08	499,300	0%	92%
1937 Firefighters' Pension Plan	12-31-03	1,133,500	0%	31%
	12-31-04	1,170,200	0%	28%
	12-31-05	682,500	0%	101%
	12-31-06	674,600	0%	79%
	12-31-07	694,700	0%	73%
	12-31-08	710,000	0%	89%

CITY OF VALPARAISO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For The Year Ended December 31, 2008

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 19,092,919	\$ 19,092,919	\$ 14,315,022	\$ (4,777,897)
Licenses and permits	185,000	185,000	318,265	133,265
Intergovernmental	912,116	912,116	988,263	76,147
Charges for services	3,609,726	3,609,726	2,660,298	(949,428)
Fines and forfeits	500	500	6,465	5,965
Other	<u>664,912</u>	<u>664,912</u>	<u>1,157,438</u>	<u>492,526</u>
Total revenues	<u>24,465,173</u>	<u>24,465,173</u>	<u>19,445,751</u>	<u>(5,019,422)</u>
Expenditures:				
Current:				
General government:				
Personal services	3,539,544	3,539,544	3,394,885	144,659
Other general government	<u>2,041,130</u>	<u>2,041,130</u>	<u>1,920,250</u>	<u>120,880</u>
Total general government	<u>5,580,674</u>	<u>5,580,674</u>	<u>5,315,135</u>	<u>265,539</u>
Public safety:				
Personal services	8,419,278	8,419,278	7,926,244	493,034
Other public safety	<u>1,038,475</u>	<u>1,038,475</u>	<u>983,827</u>	<u>54,648</u>
Total public safety	<u>9,457,753</u>	<u>9,457,753</u>	<u>8,910,071</u>	<u>547,682</u>
Highways and streets:				
Other highways and streets	840,000	840,000	840,000	-
Sanitation:				
Personal services	1,263,915	1,263,915	1,089,484	174,431
Other sanitation	<u>464,600</u>	<u>464,600</u>	<u>468,270</u>	<u>(3,670)</u>
Total sanitation	<u>1,728,515</u>	<u>1,728,515</u>	<u>1,557,754</u>	<u>170,761</u>
Total expenditures	<u>17,606,942</u>	<u>17,606,942</u>	<u>16,622,960</u>	<u>983,982</u>
Other financing sources (uses):				
Sale of tax anticipation warrants	-	-	6,568,526	6,568,526
Tax anticipation warrant repayments	-	-	(8,011,169)	(8,011,169)
Interfund loans	<u>-</u>	<u>-</u>	<u>(2,200,000)</u>	<u>(2,200,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,642,643)</u>	<u>(3,642,643)</u>
Net change in fund balances	6,858,231	6,858,231	(819,852)	(7,678,083)
Fund balances - beginning	<u>1,769,976</u>	<u>1,769,976</u>	<u>1,769,976</u>	<u>-</u>
Fund balances - December 31	<u>\$ 8,628,207</u>	<u>\$ 8,628,207</u>	<u>\$ 950,124</u>	<u>\$ (7,678,083)</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road And Street	Parking Meter	Park Nonreverting Operating	Emergency Medical Services/ Ambulance	Donations	Crime Control
Receipts:							
Taxes	\$ 314,144	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	3,840	-	19,020	-	-	-	-
Intergovernmental	791,811	301,552	-	-	-	-	83,500
Charges for services	250	-	7,012	438,933	555,726	-	-
Fines and forfeits	-	-	61,082	-	-	-	-
Interfund loans	300,000	-	-	217,500	-	-	-
Other	13,526	50,106	-	-	-	25,732	-
Total receipts	1,423,571	351,658	87,114	656,433	555,726	25,732	83,500
Disbursements:							
General government	-	-	-	-	-	29,060	-
Public safety	-	-	76,062	-	720	-	105,474
Highways and streets	1,520,375	298,283	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	428,256	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	17,158	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	1,537,533	298,283	76,062	428,256	720	29,060	105,474
Excess (deficiency) of receipts over disbursements	(113,962)	53,375	11,052	228,177	555,006	(3,328)	(21,974)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	261
Total other financing sources (uses)	-	-	-	-	-	-	261
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(113,962)	53,375	11,052	228,177	555,006	(3,328)	(21,713)
Cash and investment fund balance - beginning	318,506	438,723	24,370	239,470	29,112	19,334	58,613
Prior period adjustment (Note III C)	-	-	-	-	-	-	-
Restated cash and investment fund balance - beginning	318,506	438,723	24,370	239,470	29,112	19,334	58,613
Cash and investment fund balance - ending	\$ 204,544	\$ 492,098	\$ 35,422	\$ 467,647	\$ 584,118	\$ 16,006	\$ 36,900
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 35,422	\$ 467,647	\$ 584,118	\$ 16,006	\$ 36,900
Restricted assets:							
Cash and investments	204,544	492,098	-	-	-	-	-
Total cash and investment assets - ending	\$ 204,544	\$ 492,098	\$ 35,422	\$ 467,647	\$ 584,118	\$ 16,006	\$ 36,900
Cash and Investment Fund Balance - Ending							
Restricted for:							
Highways and streets	\$ 204,544	\$ 492,098	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	35,422	467,647	584,118	16,006	36,900
Total cash and investment fund balance - ending	\$ 204,544	\$ 492,098	\$ 35,422	\$ 467,647	\$ 584,118	\$ 16,006	\$ 36,900

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Transportation V Line	Law Enforcement Continuing Ed	Unsafe Building	Riverboat	IDEM Recycling Grant	Parks And Recreation	Park Donation
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,123,919	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	602,718	-	-	172,058	-	137,323	-
Charges for services	22,656	43,319	-	-	-	270,867	-
Fines and forfeits	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	1,250,000	-
Other	184,323	-	-	-	-	330,326	21,564
Total receipts	809,697	43,319	-	172,058	-	4,112,435	21,564
Disbursements:							
General government	-	-	-	113,508	25,000	-	-
Public safety	-	30,888	8,434	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	770,735	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	2,422,366	148,324
Interfund loans	-	-	-	-	-	1,537,000	42,000
Debt service:							
Principal	-	-	-	-	-	8,500	-
Interest	-	-	-	-	-	1,500	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	89,654	-
Total disbursements	770,735	30,888	8,434	113,508	25,000	4,059,020	190,324
Excess (deficiency) of receipts over disbursements	38,962	12,431	(8,434)	58,550	(25,000)	53,415	(168,760)
Other financing sources (uses):							
Transfers in	100,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	13,320	-
Total other financing sources (uses)	100,000	-	-	-	-	13,320	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	138,962	12,431	(8,434)	58,550	(25,000)	66,735	(168,760)
Cash and investment fund balance - beginning	(9,341)	84,957	18,000	466,447	25,000	80,506	315,037
Prior period adjustment (Note III C)	-	-	-	-	-	-	-
Restated cash and investment fund balance - beginning	(9,341)	84,957	18,000	466,447	25,000	80,506	315,037
Cash and investment fund balance - ending	\$ 129,621	\$ 97,388	\$ 9,566	\$ 524,997	\$ -	\$ 147,241	\$ 146,277
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 129,621	\$ 97,388	\$ 9,566	\$ 524,997	\$ -	\$ 147,241	\$ 146,277
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 129,621	\$ 97,388	\$ 9,566	\$ 524,997	\$ -	\$ 147,241	\$ 146,277
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	129,621	97,388	9,566	524,997	-	147,241	146,277
Total cash and investment fund balance - ending	\$ 129,621	\$ 97,388	\$ 9,566	\$ 524,997	\$ -	\$ 147,241	\$ 146,277

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Rainy Day	Forfeiture & Seized Asset Fund	Major Moves Construction	Police Substance Abuse Grant	Grant Tobacco Education	Grant-Edith House	Rental Rehab
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	700,243	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interfund loans	1,100,000	-	-	-	-	-	-
Other	-	6,414	69,677	-	2,000	-	-
Total receipts	1,800,243	6,414	69,677	-	2,000	-	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	722,518	-	-	-	-
Health and welfare	-	-	-	-	294	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Interfund loans	2,200,000	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	9,146	-	-	-
Highways and streets	-	-	659,000	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	2,200,000	-	1,381,518	9,146	294	-	-
Excess (deficiency) of receipts over disbursements	(399,757)	6,414	(1,311,841)	(9,146)	1,706	-	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	1,915	-	-	-	6,000
Total other financing sources (uses)	-	-	1,915	-	-	-	6,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(399,757)	6,414	(1,309,926)	(9,146)	1,706	-	6,000
Cash and investment fund balance - beginning	882,323	-	3,272,912	9,146	-	-	185,062
Prior period adjustment (Note III C)	-	-	(457,000)	-	-	-	-
Restated cash and investment fund balance - beginning	882,323	-	2,815,912	9,146	-	-	185,062
Cash and investment fund balance - ending	\$ 482,566	\$ 6,414	\$ 1,505,986	\$ -	\$ 1,706	\$ -	\$ 191,062
Cash and Investment Assets - Ending							
Cash and investments	\$ 482,566	\$ 6,414	\$ -	\$ -	\$ 1,706	\$ -	\$ 191,062
Restricted assets:							
Cash and investments	-	-	1,505,986	-	-	-	-
Total cash and investment assets - ending	\$ 482,566	\$ 6,414	\$ 1,505,986	\$ -	\$ 1,706	\$ -	\$ 191,062
Cash and Investment Fund Balance - Ending							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ 1,505,986	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	482,566	6,414	-	-	1,706	-	191,062
Total cash and investment fund balance - ending	\$ 482,566	\$ 6,414	\$ 1,505,986	\$ -	\$ 1,706	\$ -	\$ 191,062

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Firefighting Fund	Cemetery	Creekside Golf Operations	Park City Tree Ordinance	Park Impact Fees	Creekside Revenue Bond Payment	Grant- Bullet Proof Partnership
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	235,212	-	-
Intergovernmental	-	-	-	-	-	-	1,000
Charges for services	40,441	22,555	423,197	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	10,000	-	-	-
Total receipts	40,441	22,555	423,197	10,000	235,212	-	1,000
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	59,273	-	-	-	-	-	1,000
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	417,489	905	59,869	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	80,000	-
Interest	-	-	-	-	-	152,135	-
Capital outlay:							
General government	-	49,250	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	59,273	49,250	417,489	905	59,869	232,135	1,000
Excess (deficiency) of receipts over disbursements	(18,832)	(26,695)	5,708	9,095	175,343	(232,135)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	232,135	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	232,135	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,832)	(26,695)	5,708	9,095	175,343	-	-
Cash and investment fund balance - beginning	22,563	200,519	59,913	11,484	101,599	-	-
Prior period adjustment (Note III C)	-	-	-	-	-	-	-
Restated cash and investment fund balance - beginning	22,563	200,519	59,913	11,484	101,599	-	-
Cash and investment fund balance - ending	<u>\$ 3,731</u>	<u>\$ 173,824</u>	<u>\$ 65,621</u>	<u>\$ 20,579</u>	<u>\$ 276,942</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ 3,731	\$ 173,824	\$ 65,621	\$ 20,579	\$ 276,942	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 3,731</u>	<u>\$ 173,824</u>	<u>\$ 65,621</u>	<u>\$ 20,579</u>	<u>\$ 276,942</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	3,731	173,824	65,621	20,579	276,942	-	-
Total cash and investment fund balance - ending	<u>\$ 3,731</u>	<u>\$ 173,824</u>	<u>\$ 65,621</u>	<u>\$ 20,579</u>	<u>\$ 276,942</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Grant Fire Community Education	Grant E Ticket Equipment	Transportation Dash	Dash Credit Card Revenue	Developer Deposits	Park Bond & Interest	Park Creekside Bond Debt Reserve
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409,931	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	10,790	3,147	-	-	-	14,997	-
Charges for services	-	-	773	19,419	-	-	262,510
Fines and forfeits	-	-	-	-	-	-	-
Interfund loans	-	-	150,000	-	-	92,000	-
Other	-	-	-	-	14,522	-	-
Total receipts	10,790	3,147	150,773	19,419	14,522	516,928	262,510
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	10,790	1,829	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	100,821	915	-	-	-
Culture and recreation	-	-	-	-	-	750	-
Interfund loans	-	-	-	-	-	255,500	-
Debt service:							
Principal	-	-	-	-	-	245,000	-
Interest	-	-	-	-	-	80,428	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	10,790	1,829	100,821	915	-	581,678	-
Excess (deficiency) of receipts over disbursements	-	1,318	49,952	18,504	14,522	(64,750)	262,510
Other financing sources (uses):							
Transfers in	-	-	810	-	-	-	-
Transfers out	-	-	-	(810)	-	-	(232,135)
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	810	(810)	-	-	(232,135)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,318	50,762	17,694	14,522	(64,750)	30,375
Cash and investment fund balance - beginning	-	-	-	-	-	68,833	150,169
Prior period adjustment (Note III C)	-	-	-	-	-	-	-
Restated cash and investment fund balance - beginning	-	-	-	-	-	68,833	150,169
Cash and investment fund balance - ending	\$ -	\$ 1,318	\$ 50,762	\$ 17,694	\$ 14,522	\$ 4,083	\$ 180,544
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 1,318	\$ 50,762	\$ 17,694	\$ 14,522	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	4,083	180,544
Total cash and investment assets - ending	\$ -	\$ 1,318	\$ 50,762	\$ 17,694	\$ 14,522	\$ 4,083	\$ 180,544
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	4,083	180,544
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	1,318	50,762	17,694	14,522	-	-
Total cash and investment fund balance - ending	\$ -	\$ 1,318	\$ 50,762	\$ 17,694	\$ 14,522	\$ 4,083	\$ 180,544

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Redevelopment Debt Reserve	Debt Service Other	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	Park Nonreverting Capital	Police Vehicle Equipment	Cumulative Sewer
Receipts:							
Taxes	\$ -	\$ 720,829	\$ -	\$ 458,839	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	270,549
Intergovernmental	-	25,469	89,197	17,128	-	-	-
Charges for services	-	-	-	-	12,228	-	-
Fines and forfeits	-	-	-	-	-	18,650	-
Interfund loans	-	200,000	-	-	-	-	500,000
Other	-	-	-	-	-	-	-
Total receipts	-	946,298	89,197	475,967	12,228	18,650	770,549
Disbursements:							
General government	-	595	-	312,921	-	-	477,196
Public safety	-	-	-	-	-	6,470	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	43,572	-	-
Interfund loans	-	100,000	200,000	-	-	-	-
Debt service:							
Principal	-	290,000	-	-	-	-	-
Interest	-	363,841	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total disbursements	-	754,436	200,000	312,921	43,572	6,470	477,196
Excess (deficiency) of receipts over disbursements	-	191,862	(110,803)	163,046	(31,344)	12,180	293,353
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	191,862	(110,803)	163,046	(31,344)	12,180	293,353
Cash and investment fund balance - beginning	468,900	174,349	386,030	155,291	66,784	22,346	729,747
Prior period adjustment (Note III C)	-	-	-	-	-	-	-
Restated cash and investment fund balance - beginning	468,900	174,349	386,030	155,291	66,784	22,346	729,747
Cash and investment fund balance - ending	<u>\$ 468,900</u>	<u>\$ 366,211</u>	<u>\$ 275,227</u>	<u>\$ 318,337</u>	<u>\$ 35,440</u>	<u>\$ 34,526</u>	<u>\$ 1,023,100</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,526	\$ -
Restricted assets:							
Cash and investments	468,900	366,211	275,227	318,337	35,440	-	1,023,100
Total cash and investment assets - ending	\$ 468,900	\$ 366,211	\$ 275,227	\$ 318,337	\$ 35,440	\$ 34,526	\$ 1,023,100
Cash and Investment Fund Balance - Ending							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	468,900	366,211	-	-	-	-	-
Capital outlay	-	-	275,227	318,337	35,440	-	1,023,100
Unrestricted	-	-	-	-	-	34,526	-
Total cash and investment fund balance - ending	\$ 468,900	\$ 366,211	\$ 275,227	\$ 318,337	\$ 35,440	\$ 34,526	\$ 1,023,100

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Cumulative Revolving Improvement	CEDIT Capital Projects	2006 Bond Issue	2002 Bond Issue	Capital Equipment	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,027,662
Licenses and permits	-	-	-	-	-	528,621
Intergovernmental	-	1,851,297	-	-	-	4,802,230
Charges for services	-	-	-	-	-	2,119,886
Fines and forfeits	-	-	-	-	-	79,732
Interfund loans	-	600,000	-	-	-	4,409,500
Other	-	-	-	-	-	728,190
Total receipts	-	2,451,297	-	-	-	16,695,821
Disbursements:						
General government	-	-	-	-	366,897	1,325,177
Public safety	-	-	343,984	-	-	644,924
Highways and streets	-	-	-	409,494	-	2,950,670
Health and welfare	-	-	-	-	-	294
Economic development	-	1,943,772	-	-	-	2,816,243
Culture and recreation	-	-	-	-	-	3,521,531
Interfund loans	-	600,000	-	-	-	4,934,500
Debt service:						
Principal	-	-	-	-	-	623,500
Interest	-	-	-	-	-	597,904
Capital outlay:						
General government	-	-	-	-	-	49,250
Public safety	-	-	157,000	-	-	166,146
Highways and streets	-	-	-	-	-	676,158
Culture and recreation	-	-	-	-	-	89,654
Total disbursements	-	2,543,772	500,984	409,494	366,897	18,395,951
Excess (deficiency) of receipts over disbursements	-	(92,475)	(500,984)	(409,494)	(366,897)	(1,700,130)
Other financing sources (uses):						
Transfers in	-	-	-	-	365,300	698,245
Transfers out	-	(100,000)	-	-	-	(332,945)
Other receipts	-	-	80	-	-	21,576
Total other financing sources (uses)	-	(100,000)	80	-	365,300	386,876
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(192,475)	(500,904)	(409,494)	(1,597)	(1,313,254)
Cash and investment fund balance - beginning	310,243	571,898	752,741	1,548,158	1,597	12,261,341
Prior period adjustment (Note III C)	-	-	-	-	-	(457,000)
Restated cash and investment fund balance - beginning	310,243	571,898	752,741	1,548,158	1,597	11,804,341
Cash and investment fund balance - ending	\$ 310,243	\$ 379,423	\$ 251,837	\$ 1,138,664	\$ -	\$ 10,491,087
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,536,450
Restricted assets:						
Cash and investments	310,243	379,423	251,837	1,138,664	-	6,954,637
Total cash and investment assets - ending	\$ 310,243	\$ 379,423	\$ 251,837	\$ 1,138,664	\$ -	\$ 10,491,087
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,202,628
Debt service	-	-	-	-	-	1,019,738
Capital outlay	310,243	379,423	251,837	1,138,664	-	3,732,271
Unrestricted	-	-	-	-	-	3,536,450
Total cash and investment fund balance - ending	\$ 310,243	\$ 379,423	\$ 251,837	\$ 1,138,664	\$ -	\$ 10,491,087

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 INTERNAL SERVICE FUNDS
 As Of And For The Years Ended December 31, 2008

	Health Claims	Employee Benefit Plan	Totals
Operating receipts:			
Employee contributions	\$ -	\$ 384,912	\$ 384,912
Employer contributions	-	1,751,308	1,751,308
Employee contributions from utilities	-	82,182	82,182
Employer contributions from utilities	-	548,785	548,785
Miscellaneous	-	46,869	46,869
	<u>-</u>	<u>2,814,056</u>	<u>2,814,056</u>
Total operating receipts	-	2,814,056	2,814,056
Operating disbursements:			
Insurance claims and expense	<u>2,325,602</u>	<u>354,707</u>	<u>2,680,309</u>
Excess (deficiency) of receipts over disbursements	<u>(2,325,602)</u>	<u>2,459,349</u>	<u>133,747</u>
Transfers in	2,325,602	-	2,325,602
Transfers out	<u>-</u>	<u>(2,325,602)</u>	<u>(2,325,602)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	-	133,747	133,747
Cash and investment fund balance - beginning	<u>578</u>	<u>1,239,062</u>	<u>1,239,640</u>
Cash and investment fund balance - ending	<u>\$ 578</u>	<u>\$ 1,372,809</u>	<u>\$ 1,373,387</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	<u>\$ 578</u>	<u>\$ 1,372,809</u>	<u>\$ 1,373,387</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	<u>\$ 578</u>	<u>\$ 1,372,809</u>	<u>\$ 1,373,387</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2008

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 183,040	\$ 288,652	\$ 471,692
Plan members	-	349	349
State	<u>278,714</u>	<u>341,477</u>	<u>620,191</u>
Total contributions	<u>461,754</u>	<u>630,478</u>	<u>1,092,232</u>
Total additions	<u>461,754</u>	<u>630,478</u>	<u>1,092,232</u>
Deductions:			
Benefits	523,695	653,139	1,176,834
Refunds of contributions	1,376	428	1,804
Administrative and general	<u>600</u>	<u>529</u>	<u>1,129</u>
Total deductions	<u>525,671</u>	<u>654,096</u>	<u>1,179,767</u>
Excess (deficiency) of total additions over total deductions	(63,917)	(23,618)	(87,535)
Cash and investment fund balance - beginning	<u>86,291</u>	<u>120,592</u>	<u>206,883</u>
Cash and investment fund balance - ending	<u>\$ 22,374</u>	<u>\$ 96,974</u>	<u>\$ 119,348</u>

CITY OF VALPARAISO
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	Payroll	Sign Deposit	Indiana Police And Fire Pension	Park Indiana Sales Tax	Park Gift Certificates	Park Credit Card Services Account	Park Cash Change	Totals
Additions:								
Agency fund additions	\$ 10,379,223	\$ -	\$ 241,091	\$ 22,333	\$ 26,817	\$ 817,323	\$ 350	\$ 11,487,137
Deductions:								
Agency fund deductions	10,379,223	-	254,272	21,985	20,337	821,766	-	11,497,583
Excess (deficiency) of total additions over total deductions	-	-	(13,181)	348	6,480	(4,443)	350	(10,446)
Cash and investment fund balance - beginning	-	1,000	42,439	193	39,047	23,583	1,058	107,320
Cash and investment fund balance - ending	\$ -	\$ 1,000	\$ 29,258	\$ 541	\$ 45,527	\$ 19,140	\$ 1,408	\$ 96,874

CITY OF VALPARAISO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets - park department	\$ 15,993,735
Capital assets, not being depreciated:	
Land	3,084,312
Infrastructure	68,283,291
Buildings	10,424,857
Improvements other than buildings	186,590
Machinery and equipment	<u>8,504,230</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 106,477,015</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 318,281
Construction in progress	110,260
Capital assets being depreciated:	
Buildings	3,468,581
Improvements other than buildings	24,776,363
Machinery and equipment	<u>14,720,089</u>
 Total Water Utility capital assets	 <u>43,393,574</u>
 Water Reclamation Utility:	
Capital assets, not being depreciated:	
Land	575,915
Construction in progress	8,161,838
Capital assets being depreciated:	
Buildings	15,022,310
Improvements other than buildings	990,724
Sewer lines	19,000,944
Treatment center	5,059,973
Machinery and equipment	<u>570,203</u>
 Total Water Reclamation Utility capital assets	 <u>49,381,907</u>
 Stormwater Utility:	
Capital assets, not being depreciated:	
Drainage infrastructure	<u>11,800,202</u>
 Total business-type activities capital assets	 <u>\$ 104,575,683</u>

CITY OF VALPARAISO
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
City:		
Garbage trucks and containers	\$ 158,568	\$ 164,742
Storage facility, trucks, and leaf blowers	662,267	348,165
Police cars	283,210	121,042
Ambulances, pumper truck, equipment	929,675	205,446
Park Department:		
Field lights	120,515	24,852
Golf carts	11,249	11,855
Fairways and greens mower	44,331	16,782
Golf simulator	86,373	25,284
Playground equipment	187,052	59,799
Copier	22,937	8,597
Irrigation system	51,011	38,258
Land contract	18,300	10,000
HVAC loan for police department	56,291	14,073
Tax anticipation notes	3,452,925	3,452,925
Bonds payable:		
General obligation bonds:		
1998 Park bonds for purchase of land, improvements, and renovations	1,530,000	334,525
2002 City bonds for street improvements	2,550,000	237,410
2005 City bonds for street and road improvements	1,440,000	108,979
2006 City bonds for police and public safety facility	4,280,000	306,316
Revenue bonds:		
2004 Park refunding bonds for Creekside golf course	3,485,000	239,780
2006 Redevelopment commission bonds for property acquisition	4,510,000	442,750
Total governmental activities debt	\$ 23,879,704	\$ 6,171,580
Business-type activities:		
Water Utility:		
Revenue bonds:		
2002 bonds for water system improvements	\$ 6,845,000	\$ 666,487
Water Reclamation Utility:		
Capital leases:		
Vacuum truck	112,375	60,734
State Revolving Loan Fund	11,982,000	1,303,127
Revenue bonds:		
2007 bonds for wastewater system improvements	11,000,000	537,150
Total Water Reclamation Utility	23,094,375	1,901,011
Stormwater Utility:		
Capital leases:		
Street sweeper	13,636	13,820
Revenue bonds:		
2001 bonds for stormwater system improvements	2,660,000	281,003
Total Stormwater Utility	2,673,636	294,823
Total business-type activities debt:	\$ 32,613,011	\$ 2,862,321

CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS

INEFFECTIVE INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient and ineffective for the Water and Water Reclamation Utilities. The receipts and disbursements are maintained through a computer program. This information from the program was transferred to an excel spreadsheet where adjustments were made by journal entry. The spreadsheet did not provide an audit trail. Errors were not detected in a timely manner and some balances could not be verified because the spreadsheet did not allow for the user to view individual detail account activity for a specific time frame. The lack of effective internal controls affects the reasonable assurance regarding the reliability of the financial records. A computer software program was purchased and will be implemented during the fall of 2009 which should alleviate this issue.

The Utility collections for the year were approximately \$4,991,697 for the Water Utility and \$7,011,305 for the Water Reclamation. These are material amounts for the proprietary funds and are material to the City as a whole.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

TAX INCREMENT REPLACEMENT EXPENDITURES

Officials transferred tax increment replacement collections to their Capital Equipment fund totaling \$365,300. Expenditures from the Capital Equipment Fund included lease payments for police cars, public works equipment, fire department equipment, engineering truck, planning automobile, and various 911 equipment. These are not allowable expenditures for the tax increment replacement collections.

IC 36-7-14-2.5 states:

"(a) The assessment, planning, replanning, remediation, development, and redevelopment of economic development areas:

- (1) are public and governmental functions that cannot be accomplished through the ordinary operations of private enterprise because of:
 - (A) the necessity for requiring the proper use of the land so as to best serve the interests of the county and its citizens; and
 - (B) the costs of these projects;

CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) will:
 - (A) benefit the public health, safety, morals, and welfare;
 - (B) increase the economic well-being of the unit and the state; and
 - (C) serve to protect and increase property values in the unit and the state; and
- (3) are public uses and purposes for which public money may be spent and private property may be acquired.

(b) This section and sections 41 and 43 of this chapter shall be liberally construed to carry out the purposes of this section."

CAPITAL ASSET RECORDS

The City does maintain a detailed record of capital assets, but the following deficiencies were noted:

1. The park department has \$3,525,308 included in their building category of capital assets. The City has park buildings also documented in their capital asset detail totaling \$5,604,351. Subsequently, there has been duplication of building valuations included in the capital asset balances.
2. There was a land valuation totaling \$561,000 included in the 2007 detail of capital assets but it was not included in the 2008 land valuation. We could not determine if any proceeds were received or an error had occurred in the land valuation detail.
3. Deletions have not been recorded to infrastructure since 2005.
4. There are multiple projects ongoing at the redevelopment department. A construction in progress account has not been maintained for these projects. There has been construction in progress totaling \$734,223.55 maintained at the Park Department with items dated back several years. We could not determine if these items have been transferred to capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLAIMS DEFICIENCIES

1. Claims totaling \$12,318 for attorney services were not properly itemized. Invoices did not include the number of hours worked or per hour rate. There was no contract provided for this service.
2. Seven of the twenty-four dockets for 2008 were not signed by the governing board, therefore, we could not determine if these expenditures were approved.

CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS
(Continued)

IC 5-11-10-1.6 states:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

A claim to be properly itemized should show the kind of service, where performed, date service rendered, by whom, rate per day, number of hours, rate per hour, price per foot, per yard, per hundred, per pound, per ton, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Payments for services provided by an organization should go directly to the organization and not to an individual employee of the organization. All payments for services should be supported by a written contract. Compensation should be made in such a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BONDS NOT RECORDED

The bonds for the park board members and the redevelopment commission were not recorded with the County Recorder's office.

IC 5-4-1-5.1 requires official bonds of city and town officers and employees to be filed and recorded in the county recorder's office.

PARK DEPARTMENT PENALTIES, INTEREST, AND OTHER CHARGES

Late fees totaling \$148.38 were paid to GE Capital for a lease payment of the Park Department.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

CITY OF VALPARAISO
AUDIT RESULTS AND COMMENTS
(Continued)

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PARK CONTRACTS

The Department of Parks and Recreation Department entered into a contract for concessions for three parks. The contracts totaled \$2,500 of which the Park Department collected \$1,050. The Park Department did not receive \$1,450 and we did not see evidence of collecting the amounts owed the park.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BILLING - EMERGENCY MEDICAL SERVICE

The Emergency Medical Service Department hired an independent company called AccuMed to bill and collect the fees from the ambulance runs. AccuMed did not provide documentation on having a SAS 70 audit, which is a highly specialized audit on design and operational effectiveness of a service organization's internal control over processing transactions for user organizations. As a result we were not able to determine if the internal controls for this company are operating effectively.

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 Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Valparaiso (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the City's management, the City of Valparaiso Common Council, the Valparaiso Utility Board of Public Works and Safety, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 5, 2009

CITY OF VALPARAISO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Northwest Indiana Regional Planning Commission Federal Transit Cluster Federal Transit Formula Grants	20.507	IN-95-X010 IN-95-X012 IN90X547	\$ 425,041 238,958 <u>10,646</u>
Total for program			<u>674,645</u>
Pass-Through Indiana Criminal Justice Institute State and Community Highway Safety	20.600	PT-08-04-01-39 PT-09-04-01-36	9,182 <u>668</u>
Total for program			<u>9,850</u>
Pass-Through Indiana Criminal Justice Institute Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	154HE-2008-08-01-08 K4-2009-08-01-16 PT08-04-01-39 K8-2008-02-03-23 K8-2009-03-03-25	22,155 7,566 1,829 36,800 <u>17,883</u>
Total for program			<u>86,233</u>
Total for federal grantor agency			<u>770,728</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct Grant Congressionally Mandated Projects	66.202	XP-00E08301-1	<u>409,468</u>
Total for federal grantor agency			<u>409,468</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant	97.044	EMW-2006-FP-01030	<u>10,790</u>
Total for federal grantor agency			<u>10,790</u>
Total federal awards expended			<u>\$ 1,190,986</u>

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

CITY OF VALPARAISO
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Valparaiso (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF VALPARAISO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.507	Federal Transit Formula Grants
66.202	Congressionally Mandated Projects

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

Auditee qualified as low-risk auditee? no

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

Section II – Financial Statement Findings

FINDING 2008-1, INEFFECTIVE INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient and ineffective for the Water and Water Reclamation Utilities. The receipts and disbursements are maintained through a computer program. This information from the program was transferred to an excel spreadsheet where adjustments were made by journal entry. The spreadsheet allows the user to change accounting entries without leaving an audit trail. Errors were not detected in a timely manner and some balances could not be verified because the spreadsheet did not allow for the user to view individual detail account activity for a specific time frame. The lack of effective internal controls affects the reasonable assurance regarding the reliability of the financial records. A computer software program was purchased and will be implemented during the fall of 2009 which should alleviate this issue.

The Utility collections for the year were approximately \$4,991,697 for the Water Utility and \$7,011,305 for the Water Reclamation. These are material amounts for the proprietary funds and are material to the City as a whole.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

We recommended that the Water and Water Reclamation Utilities implement effective internal controls over the receipting, disbursing, recording, and accounting for the financial activities. Effective controls will give reasonable assurance regarding the reliability of the financial records, effectiveness of operations, and safeguarding of assets.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF VALPARAISO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Valparaiso City Utilities

205 Billings Street
Valparaiso, Indiana 46383-3699

"Water is our Most Valuable Natural Resource"

November 5, 2009

Indiana State Board of Accounts
Porter County Administration Center
155 Indiana Avenue
Valparaiso, IN 46383

Re: Response to Finding 2008-1, Ineffective Internal Controls
(Corrective Action Plan)

To Whom It May Concern:

The corrective action to replace Valparaiso City Utilities' financial system hardware and software has taken place in 2009. Planning to identify a new system began in 2007. In December of 2008, the board of directors voted to appropriate \$135,000 to purchase new Windows based financial software. Installation and training for the new INCODE software (Tyler Technologies) began on July 6, 2009. As of this date, the software modules have been installed, training has taken place, and utility personnel are using and becoming familiar with the new system.

Very truly yours,

Richard S. Freeman
Valparaiso City Utilities
Controller

Phone: (219) 462-6174, Ext. 1303

Fax: (219) 477-4254

E-Mail: dfreeman@valpo.us

Visit our website at www.valparaisoutilities.org

CITY OF VALPARAISO
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2009, with Sharon Emerson Swihart, Clerk-Treasurer; Jon Costas, Mayor; and Bill Oeding, City Administrator. The official response has been made a part of this report and may be found on pages 55 through 57.



Office of the Mayor
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November 12, 2009

The City of Valparaiso Audit Results and Comments section "Tax Increment Replacement Expenditures" is in error in two respects:

1. The report states, "Officials transferred tax increment replacement collections to their Capital Equipment fund totaling \$365,300." While indeed, 365,300 of tax increment revenue as distributed to the Valparaiso Redevelopment Commission from the Consolidated Valparaiso Allocation Fund was transferred, **these were general tax increment revenues, not proceeds from the Tax Increment Replacement ("TIR") Amount levy.** The TIR Amount levy revenues were used to pay for lawfully-incurred and outstanding obligations, debt, loans or bond repayment.
2. The report concludes, "These are not allowable expenditures for the tax increment replacement collections." We do not disagree, and as stated previously, the TIR Amount revenue from the TIR Amount levy's special fund was not transferred to the City's Capital Equipment Fund in order to fund capital equipment nor was it used for such purposes.

Furthermore, the Auditor's Report goes on to cite I.C.36-7-14-2.5, which provides the basis for such redevelopment activities in an economic development area, the public function, use and purpose of the economic development areas. Specifically, IC 36-7-14-2.5 (a)(3) states that the redevelopment of such areas "are public uses and purposes for which public money may be spent and private property may be acquired" and also IC 36-7-14-2.5 (b) states "This section and sections 41 and 43 of this chapter shall be liberally construed to carry out the purposes of this section." **To the extent that the Auditor is implying that the use of tax increment revenue for this public safety and code enforcement equipment is also not allowable, we respectfully disagree.**

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OUR CITY...OUR VALUES

Honestly Accountable • Surprisingly Responsive
Boldly Proactive • Creatively Frugal • Respectfully Compassionate

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City of Valparaiso
Audit Results 2009**

Background:

In 2004, Valparaiso was suffering from deferred maintenance of its infrastructure and deteriorating capital equipment. This conclusion was reached following several public meetings of the Redevelopment Commission and the City Council. The Commission determined that the decline in public services and facilities was affecting the ability to properly plan, re-plan, remediate, develop and redevelop identified redevelopment project areas within the Valparaiso Redevelopment District. The replacement of aging public works and public safety equipment would therefore: i) be essential to benefit the public health, safety, welfare, and ii) serve the District's redevelopment project areas with proper code enforcement, as well as police and fire protection.

Legal Advice:

On August 4, 2004, the law firm of Baker & Daniels sent a memorandum to the Executive Director of the Redevelopment Commission. A copy of that memorandum is attached hereto and made a part of the City's response. In it, counsel wrote that based upon an assumption of a good faith finding "...we believe that the Commission's reimbursement of capital expenditures made by the City for the purchase of public safety equipment (e.g. fire trucks and police cars) that will serve the TIF allocation area (from which TIF is used to reimburse the City) is an authorized expenditure under the Act."

Action:

Accordingly, on October 13, 2004, the Commission approved a resolution authorizing its signatures to a memorandum of Understanding between the City and the Commission. A copy of this Memorandum, dated the 22nd of November, 2004 is attached hereto and made a part hereof. In the Memorandum, the Commission specifically found:

"WHEREAS, the Redevelopment Commission acknowledges that adequate City police and fire protection is an essential public improvement benefiting the Allocation Areas"



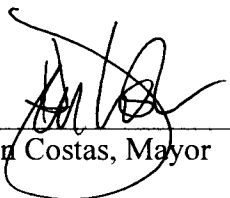
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City of Valparaiso
Audit Results 2009**

Further, the Consolidated Valparaiso Area Economic Development Plan, after proper notice and hearing, was amended (Addendum #1 to the Plan, passed February 9, 2005). As part of Addendum #1 to the Plan (copy attached), the Commission made this finding and statement of eligible expenses:

“The reimbursement of capital expenditures made by the City of Valparaiso for the purchase of public safety equipment, such as police cars and fire trucks, or other non-recurring capital expenditures, such as pathways, bike paths, sidewalk paths or other one-time public works, public safety, public health or economic development projects that the Commission determines are either in or serve the Consolidated Allocation Area and are in furtherance of its economic development purposes.”

Conclusion:

1. The TIR Amount levy was NOT transferred to the City’s Capital Equipment Fund. Tax increment revenues from the Commission’s Consolidated Valparaiso Allocation Fund were transferred to the City’s Capital Equipment Fund for allowable capital expenditures related to the purchase of public safety equipment, pursuant to legal advice, Commission findings, and the Indiana Code, which, as the Auditor’s Report states, is to be liberally construed to carry out its purposes.



Jon Costas, Mayor

11.12.09

Date

