PORTAGE PUBLIC SCHOOLS

Shaping the Future

Portage, Michigan

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

Portage Public Schools
8111 S. Westnedge Avenue
Portage, Michigan 49002

For the Fiscal Year Ended
June 30, 2008

Marsha A. Wells
Superintendent of Schools

BOARD OF EDUCATION

Shirley Johnson
President

Jennifer Whistler Vice President	Deb Polderman Treasurer	Tom Eddy Trustee
Melanie Kurdys Trustee	Wendy Mazer Trustee	Dale Posthumus Trustee

Prepared by:
Thomas Noverr, Assistant Superintendent for Operations
Karla Colestock, Business Manager

PORTAGE PUBLIC SCHOOLS

Shaping the Future

VISION

Portage Public Schools will shape the future by empowering every student to contribute intelligently and ethically in an information rich, global society.

MISSION

Through a partnership of school staff, students, parents, and community, all Portage Public Schools' students will become effective communicators, responsible citizens, self-directed learners, and complex thinkers.

In order to accomplish this mission:

The School Staff will

- ensure high quality innovative curriculum, research-based instruction, opportunities for practice, and measurement of student achievement, that is customized to meet all students' needs.
- ensure a safe learning environment that empowers students to be responsible, confident, independent thinkers who are able to monitor their own behaviors and performances.
- build positive relationships in a professional, ethical manner by honoring diversity, modeling life skills, and meeting the physical and emotional needs of all students.
- be technologically literate, complex thinkers in an ever-changing profession.

The Students will

- master effective communication skills.
- master the ability to monitor and assess their own performance and be responsible for expanding their physical, emotional and intellectual learning.
- demonstrate responsible citizenship through positive social interactions to various environments.
- use innovative, complex-thinking strategies to solve problems and make decisions in everyday life.

The Parents will

- provide a home environment which encourages and supports effective communication.
- model, teach and hold their children accountable for appropriate behavior.
- foster and support their children's creative thinking and actions, and help them understand the responsibility that goes along with self-direction.
- model complex thinking and provide opportunities for their children to be complex thinkers.

The Community will

- interact with students to foster effective communication and place value upon youth participation.
- build relationships with youth by supporting programs which involve students, families and community.
- support a variety of opportunities that provide youth with choices that encourage self-improvement.
- provide opportunities for youth to observe and participate in decision making.

PORTAGE PUBLIC SCHOOLS
Comprehensive Annual Financial Report

Year Ended June 30, 2008

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Title Page	i
Vision and Mission Statement	ii
Table of Contents	iii-v
Letter of Transmittal	viii-xvi
District Officials	xvii
Organizational Chart	xviii
ASBO Certificate of Excellence in Financial Reporting	xix
GFOA Certificate of Achievement for Excellence in Financial Reporting	xx
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	5-13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22-23
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26-27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	29-30
Statement of Fiduciary Assets and Liabilities – Agency Fund	31
Notes to the Basic Financial Statements	35-51

PORTAGE PUBLIC SCHOOLS
Comprehensive Annual Financial Report

Year Ended June 30, 2008

TABLE OF CONTENTS (Continued)

	PAGE
Supplementary Information	
Combining and Individual Fund Financial Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	56-57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	58-59
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	60-61
Agency Fund – Statement of Changes in Assets and Liabilities	62
Schedule of Capital Assets Used in the Operation of Governmental Activities	64-65
Schedule of Bonded Indebtedness	66
Schedule of Deposits and Investments	67
STATISTICAL SECTION (Unaudited)	
Financial Trends	
Net Assets by Component – Last Six Fiscal Years	74
Changes in Governmental Net Assets – Last Six Fiscal Years	75
Fund Balances – All Governmental Fund Types – Last Ten Fiscal Years	76-77
Changes in Fund Balances – All Governmental Fund Types – Last Ten Fiscal Years	78-79
Summary of Government-wide Expenses by Function – Last Six Fiscal Years	80
Summary of Government-wide Revenues – Last Six Fiscal Years	81
Summary of Expenditures by Function – All Governmental Fund Types – Last Ten Fiscal Years	82-83
Summary of Governmental Revenues and Other Financing Sources - All Governmental Fund Types – Last Ten Fiscal Years	84-85
Revenue Capacity	
Assessed Taxable Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	88-89
Summary of Property Tax Rates Levied on Property within the School District – Direct and Overlapping Governments (Per $1,000 Assessed Value) – Last Ten Fiscal Years	90-91
Summary of Property Tax Data – Last Ten Fiscal Years	92-93
Principal Taxpayers – Current Year and Nine Years Ago	94
Summary of State Aid Payments - Last Ten Fiscal Years	95

PORTAGE PUBLIC SCHOOLS
Comprehensive Annual Financial Report

Year Ended June 30, 2008

TABLE OF CONTENTS (Concluded)

	PAGE
Debt Capacity	
Ratios of Outstanding Debt – Last Ten Fiscal Years	98-99
Schedule of Direct and Overlapping Debt	100
Computation of Legal Debt Margin – Last Ten Fiscal Years	102-103
Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures – Last Ten Fiscal Years	104
Demographic and Economic Information	
Demographic and Economic Data – Last Ten Fiscal Years	106
Principal Employers – For the Current Year and Nine Prior Years	107
Operating Information	
Full-time Equivalent School District Employees – Last Ten Fiscal Years	110-111
Operating Indicators – Last Ten Fiscal Years	112-113
Capital Asset Information – Last Ten Fiscal Years	114-116

FEDERAL PROGRAM AWARD INFORMATION — Issued under separate cover

* * * * * *

INTRODUCTORY SECTION

PORTAGE PUBLIC SCHOOLS

Shaping the Future

October 21, 2008

Dear Citizens and Board Members:

The Comprehensive Annual Financial Report of Portage Public Schools (the "School District") for the fiscal year ended June 30, 2008 is hereby submitted. This report was prepared by the Business Office with assistance from members of the School District's Executive Administrative Team and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School District. This is measured by the School District-wide financial activity and the activity of its various funds with all disclosures necessary to enable the reader to gain an understanding of the School District's financial activities.

Reporting Entity and Services

Portage Public Schools is an independent reporting entity fully meeting the criteria established by the Governmental Accounting Standards Board. All funds of the School District are included in this report. The School District does not have component units.

The financial section reports separately the district-wide activities, the governmental fund types, and the fiduciary fund type administered by the Board.

Report Organization

This Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section

This section introduces the reader to Portage Public Schools and to this report. This letter of transmittal is designed to complement the management's discussion and analysis and should be read in conjunction with it. The Management's Discussion and Analysis can be found in the financial section of this document.

Financial Section

These are the School District's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of the report. In addition to the basic financial statements, this section includes required and other supplemental information.

The management, working for the Board of Education, is responsible for the financial information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information of the effects of certain events and transactions.

The basic financial statements and supplemental information presented in the financial section of this report present fairly and with full disclosure the financial position and results of the financial operation of the funds in conformity with generally accepted accounting principles and demonstrate compliance with finance-related legal and contractual provisions.

The basis for accounting for each fund is consistent with the activities and objectives of the fund as a fiscal and accounting entity.

The required and other supplemental information contains a more detailed analysis of revenues and expenditures that are compared to the 2007-2008 budget for the General Fund. In addition, there are combining schedules shown by fund type with totals that agree with those reflected in the basic financial statements section.

Statistical Section

Although this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, compare ten years of data, and are intended to reflect economic data, financial trends, and the fiscal capabilities of the School District.

About Portage Public Schools

The Community

The School District, located in southern Kalamazoo County, encompasses more than 42 square miles and lies at the mid-point between Chicago and Detroit, at the junction of I-94 and U.S. 131. It is composed of nearly all of the City of Portage and smaller portions of the City of Kalamazoo, Pavilion and Texas Townships. The School District lies entirely in the County of Kalamazoo.

Portage is in close proximity to Kalamazoo, and as well as its local diversified industry, provides its residents with consistent employment and a higher than average earning potential. Residents may take advantage of many recreational and cultural opportunities. In close proximity are fine museums, restaurants, and entertainment. The Kalamazoo area is a "college town" with Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College positively impacting the quality of life in the community. Michigan State University and the University of Michigan are also within approximately an hour and one half drive. More than 40 lakes and several riding stables, golf courses, tennis clubs, and ski areas serve the immediate area.

Portage is the lead manufacturing site for the Pfizer Corporation. Pfizer employs over 4,000 people in Kalamazoo County. Portage also is the world-wide headquarters for the Stryker Corporation, which employs over 2,500 people in Kalamazoo County. Portage also is recognized as the retail center of southwest Michigan with Crossroads and Southland Malls providing a significant retail presence in the community.

The Educational Program

The Portage Public School District includes eight elementary schools (K-5), three middle schools (6-8), two high schools (9-12), an alternative community high school program that operates in the District's Community Education Center, a preschool and child daycare program that also is housed in the Community Education Center, a gifted and talented program for second through fifth grade students located in our elementary buildings with a special component for fifth grade students that is housed in our District Administrative Center, a maintenance/transportation/facilities center, and a District Administration building. Each high school site includes a gymnasium, a separate multi-purpose activity building, a performance center and auditorium, specialized facilities for all curriculum areas, a cafeteria and a comprehensive library/media center. Each middle school contains a swimming pool, a gymnasium, a complete library/media center, a performance center, specialized facilities for each curriculum area, and a cafeteria. Elementary schools also have cafeterias, playgrounds, multipurpose rooms, and library/media centers. The School District also owns two undeveloped properties, each containing between 20 and 56 acres approximately.

The Portage Public School District offers a comprehensive educational program for students of all ages. This includes both an assortment of early intervention preschool programs and a wide variety of community education programs. A solid academic curriculum consisting primarily of language arts, mathematics, science, social studies, music, visual arts and physical education is offered at all grade levels. Specific programs for gifted and talented students are provided from second grade through high school. A fee-based after-school foreign language program is offered to elementary students. A foreign language program is offered in grades 7-12. Both of the School District's comprehensive high schools offer the International Baccalaureate program as well as a variety of honors courses in all core areas. Students who attend the School District's high schools are able to participate in an extensive grouping of county-wide academic programs. Included in these offerings are Education for the Arts (EFA) classes, Education for Employment (EFE) classes, and dual enrollment opportunities at Western Michigan University, Kalamazoo College, or Kalamazoo Valley Community College. Technical education programs begin at the middle school and continue through high school. The middle schools and high schools also offer a broad range of extra and co-curricular experiences, including extensive athletics and club-based programs. The School District offers a full continuum of services to meet the needs of students with disabilities.

Technology integration is an important component of our academic program structure. Wired and wireless connections to a robust Intranet system are safely linked through fiber optic cable to the Internet. Technology integration projects are a required part of the curriculum in elementary, middle school and high school coursework. Distance learning experiences and the most up-to-date software and hardware are all part of technology support in each building. Parents and students are able to monitor academic progress in grades four through twelve through a creative Parent Internet Viewer (PIV) service that is located on the School District's web site. Student grades are available for viewing within twenty seconds of the teacher's entry. Parents also have the option for pre-programmed messages related to their student's academic achievement status. A new data center has been designed and will be completed during the 2008-09 school year. Features of the new data center include; redundant generator systems and uninterruptable power supplies as well as a data center grade fire suppression system and redundant cooling units.

In August, 2005 the School District was informed that Standard and Poor's designated Portage Public Schools as one of 43 "outperformer" school districts in the State of Michigan. State test scores (MEAP) and the low income status of students were the variables considered in making this designation. It was found that of the 553 school districts in the State, only 43 had student test scores beyond expected levels. PPS students demonstrated this exceptional level of performance for the past two years. In 2006 Portage Central High School was named in the top 1,000 high schools nationally. In 2007, both Portage Northern and Portage Central were named in the top 1000 high schools. In addition, the 2007 ACT scores for Portage were the highest in the area.

As a result of the challenging pre-kindergarten through grade 12 education, which is based on well-defined benchmarks and related assessments, a Portage Public Schools' graduate will be prepared to "…shape the future by contributing intelligently and ethically in an information rich, global society". Portage Public School parents actively support the District and their children through participation in PTO groups, booster clubs, site-based school development teams, specific volunteer groups or District-level committees.

The School District's community enrichment programs and services start with daycare for preschool children and after school care for school age children and continue to senior citizen participation with over 8,800 processed registrations each year. Business partnerships, job placement, enrichment classes, and assistance to non-English speaking members of our community are important components of the School District's program offerings as well. The School District's Community Education Center provides adult education and recreation experiences throughout the year. Some of the programs and services offered through the Community Education Center include the following: English as a Second Language (ESL), GED testing and preparation, leisure/hobby programs, informational seminars/classes, School District facility use, youth day camps, sport programs, technical/vocational training, on line coursework, swimming (instructional and recreational), and business training workshops.

Accomplishments

The School District is utilizing a continuous school improvement planning process and, at the high school level, coordinates this planning with the North Central Association. Annually, the Board of Education works with the administrative staff to develop District goals. These goals are used to help guide building level and administrative goals as well.

The School District's organizational goals for professional development include: State mandates, district goals, curriculum and instruction initiatives, school improvement and individual professional growth. Specifically, our organization focuses on job embedded professional development that supports these areas. In addition to the support given in these areas, all teachers are assigned a mentor teacher to assist them in their orientation into the profession. Further, instructional coaches are provided as needed within the first four years of teaching.

Professional growth is not limited to "one time" conferences and trainings. Teachers are supported to collaborate to plan alternative assessments and instructional strategies for at-risk learners. Lastly, teachers, secretaries, counselors, administrators, assistants, Board of Education members, and parents have opportunities for professional growth.

The School District has an extensive and inclusive system for curriculum review and revision. First, Portage Public Schools has a Curriculum Instruction Council (CIC) with 58 members. These members include K-12 teachers, instructional specialists, parents, and administrators. This committee is charged with reviewing all proposals and initiatives concerning district PreK-12 curriculum, instruction, instructional technology, and assessment. Recommendations from the CIC regarding proposals and initiatives proceed to the District Curriculum Office, to the Superintendent, and to the Board of Education for approval and implementation. The purpose of the CIC is to design, implement, and communicate a district-wide system that will facilitate on-going research into and

development of standards, competencies, assessments, vertical/horizontal coordination, and professional development of curriculum and instruction. (Adopted 1993). In addition to this process, teacher leaders serve to coordinate and facilitate curricular change. These teacher leaders represent each grade level and department in the District. As a part of this process, a Board Curriculum and Accreditation Committee was formed in 1995 to facilitate communication about curriculum and instruction with the full Board and the community. In 2007, the Board Curriculum and Accreditation Committee was expanded to the full Board and will conduct its business during public work sessions.

In 2003, a K-12 cyclical process for curriculum review was adopted by the Board of Education. This process involves an 18-24 month review and revision process that results in a recommendation to the Curriculum Instruction Council. The process involves a K-12 approach to curriculum review and revision and includes K-12 teachers, administrators, parents, community members, university personnel, instructional specialists, and students. As a part of this process, participants complete research, curriculum revision, assessment development, and recommendations for instructional supports. Over the past 10 years, core curriculums with accompanying internal assessments have been developed for all core areas (i.e. Math, Science, Language Arts, Social Studies, and Foreign Language). In addition, curriculum has been written for all elective courses K-8. As a part of this development, K-12 Physical Education, Fine Arts, Business, and Human Growth and Development curricula have been written. All written curricula have been fully implemented.

The School District redesigned its teacher evaluation system to align with current research on best instructional practices. The system includes specific statements of expectations for performance and allows creative alternatives to former classroom observation models.

As a result of the voters passing two bond proposals in November, 2007, new elementary schools will be built on the District's 12th Street and Lake Centre sites. Portage Central High School will have a new building constructed, and Portage Northern will see significant renovations as well. A new bus and maintenance facility will be built, and Waylee Elementary will be converted into our Technology and Professional Development Center. Technology systems will be improved at all sites, including equipment that will help our buildings become the classrooms of tomorrow.

District Planning Process

The School District adopted a planning process called Strategic Management in 2000. This process is well suited to educational environments, which have become increasingly unpredictable. Strategic Management is particularly powerful as a catalyst for innovation within the School District. Utilizing the Strategic Management process, specific strategic issues are identified as opportunities to move closer to our vision and are the focus of detailed strategy formulation.

The District's strategic framework consists of its vision of the future and its mission, and gives our Strategic Management process direction and purpose. Our vision and mission were revised in 2001 to better reflect our desired future.

This process is similar to our past planning practices in that its success depends upon the involvement of our community. Over one hundred members of our school community have been involved in this effort. The team of community members assists the District in researching future trends, analyzing the District's current status, examining and evaluating work that has been accomplished and confirming the direction for future initiatives.

Strategic Management is an ongoing process that pays as much attention to managing the implementation of a strategic initiative, as to the annual review of change initiatives.

For the past five years, Strategic Management initiatives focused on activities that help District staff meet the needs of every student. Most recently, the District is engaged in professional development opportunities that promote differentiated instruction.

In 2003, the Strategic Planning Steering Committee and the Facilitation Council merged into the District Advisory Council. Their primary role is to hear Site-Based proposals and to serve as a representative advisory committee for major District initiatives.

Economic Outlook

As the School District completes its thirteenth year under Proposal A, approved by Michigan voters in 1994, it has become apparent, especially in the last few years, that School District revenues will not keep pace with inflation, nor with School District expenditures as we know them. On the revenue side, Proposal A substantially shifted funding responsibility from the local level to the State level and from property tax as the major revenue source. On the expenditure side, Proposal A shifted the funding responsibility for public school retirement to local school Districts. Now the School District is dependent upon the State legislature for not only the majority of its funds, but also its funding level. In addition, significant increases to costs, especially health insurance and retirement, result in additional budget pressures.

In May, 2008 the 1.50 county wide enhancement millage was renewed for three years, beginning with the 2008/09 school year, by a majority of voters in the county. This successful millage represents the first enhancement millage approved in the State of Michigan for operational purposes since Proposal A was enacted. This relatively short term millage is intended to continue to provide local support for schools until the State of Michigan responds to school funding issues across the State.

Historically the School District has done an excellent job of maintaining our fund balance in a narrow range of between seven and ten percent of the following year's expenditure budget. While the School District is financially stable at the present time, the future requires that the School District develop a long-term set of strategies to ensure it is able to maintain a balanced budget in the future.

Financial Information

Internal Accounting Controls

Management is responsible for establishing and maintaining internal controls. This is designed to ensure that the assets of the School District are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The School District maintains budgetary controls to ensure that budgets are in compliance with legal provisions of the State of Michigan Uniform Budgeting and Accounting Act and with the annual appropriation budget adopted by the Board of Education. Formal budgetary integration is employed as a management control device throughout the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. Under the guidelines of the State of Michigan's School Accounting Manual (Bulletin 1022), detailed line-item budget information is provided and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. The controls are integrated into the School District's computerized accounting system, which prohibits expenditures exceeding appropriations. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year. The budget is amended during the year to appropriately address variances that occur in enrollment, revenue, and expenditures.

Management believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner. As demonstrated by the statements and schedules included in the financial section of this report, the School District continues to meet its responsibility for sound financial management.

Financial Condition at June 30, 2008

Please refer to the Management's Discussion and Analysis section for a summary of the financial condition of the School District at June 30, 2008.

Capital Projects Funding

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition, construction, or major renovation of facilities.

Federal Funding

As a recipient of federal, State, and county financial assistance, the School District is responsible for ensuring that an adequate internal and administrative control structure is in place to document compliance with applicable laws and regulations related to those programs. Tests are made by the School District's auditors to determine the adequacy of the internal and administrative control structure.

Cash Management

The School District's cash management and investment policy is to maximize return on temporarily idle cash by investing in quality certificates of deposit, pooled investment accounts, and prime commercial paper rated one or two by more than one rating service. Total School District investment income was $1,473,686 for the year. The average yield on investments held at June 30, 2008 was approximately 2.62% for all funds except the bond construction funds. The average yield on our two bond construction funds is 1.5%. At June 30, 2008, due to market conditions and in accordance with the requirement to record its investments at fair market value, the District has recorded a change in fair market value of securities of $(1,560,426) in the District's U.S. Treasury Note portfolio. As these securities are guaranteed 100% by the Federal Government, and it is the District's intent to hold them to maturity, the District will not incur a realized loss. As of October 9, 2008, the unrealized loss has been reduced to approximately $42,000. These revenues are considered important sources of funding for the General Fund, Special Revenue Funds, Debt Retirement Funds, Capital Projects, and Bond Construction Funds.

Risk Management

The School District's management is charged with the responsibility of supervising the protection of the School District's assets by employing various risk management techniques and procedures to reduce, absorb, or transfer risk. The School District carries insurance for general liability and automobile liability. School District property is insured for its replacement value. Management is also responsible for directing the School District's fringe benefits program, which includes the administration of health, life, and other benefits for all full-time and some part-time employees as well as a self-funded insurance plan for workers' compensation claims. The School District is in compliance with the *Right* to *Know* legislation, including preparation of a Hazard Communication Manual, establishment of directories for all Material Safety Data Sheets, employee training, and the use of labels on all hazardous materials used by the School District.

Independent Audit

The State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was appointed by the Portage Public Schools Board of Education to perform this service for the 2007-2008 fiscal year. In addition, the U.S. Office of Management and Budget Circular A-133, *Audits* of *States, Local Governments, and Nonprofit Organizations,* requires governmental recipients of federal assistance to have organization-wide financial and compliance audits on an annual basis. Both of these requirements have been met, and the auditor's report on the financial statements is included herein.

Other Information

Enrollment

In general the School District's enrollment has remained steady over the last few years. The District has experienced pockets of growth through new home construction that has impacted certain facilities that have these areas in their attendance boundaries. At the same time, other buildings have experienced decreased enrollment and thus have some capacity for additional students. A five-year projection of enrollment is done annually using data from the county, city, and the School District. Such information as live births, building permits, cohort survival ratios, and workforce/economic statistics are used in the enrollment projections. Historically, this method has proven to be accurate, within a reasonable variance, for our planning purposes. The official enrollment for 2007-08 was 8,802 students. Enrollment projections indicate the possibility of some enrollment declines over the next five years. Factors influencing student enrollment during this time period likely will include impacts from the Kalamazoo "Promise" (a program which offers to cover college tuition costs for Kalamazoo Public School graduates), demographic changes such as smaller student populations in lower grade levels, and employment reduction issues due to strains from the local economy.

Certificate of Excellence

This report has been prepared following the guidelines recommended by the Association of School Business Officials (ASBO). The ASBO awarded a Certificate of Excellence in Financial Reporting to the Portage Public School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the fourth consecutive year that the School District has achieved this prestigious award. In order to be awarded a Certificate of Excellence, the School District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

Certificate of Achievement

This report has also been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Portage Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the third consecutive year that the School District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report was accomplished through the commitment and dedication of the entire Business Office staff. We would also like to express our appreciation to other departmental individuals who assisted in the preparation of this report.

This School District is highly committed to a program of excellence. A highly dedicated Board of Education has adopted sound policies that facilitate the continued growth and improvement of the total school program. In addition, there is a wide, all-encompassing array of support provided by parents, students, employees, citizens, civic organizations, and hundreds of volunteers that enable the School District to achieve high goals.

Sincerely,

Thomas G. Noveir, CPA
Assistant Superintendent for Operations

Marsha A. Wells
Superintendent of Schools

Portage Public Schools
District Officials

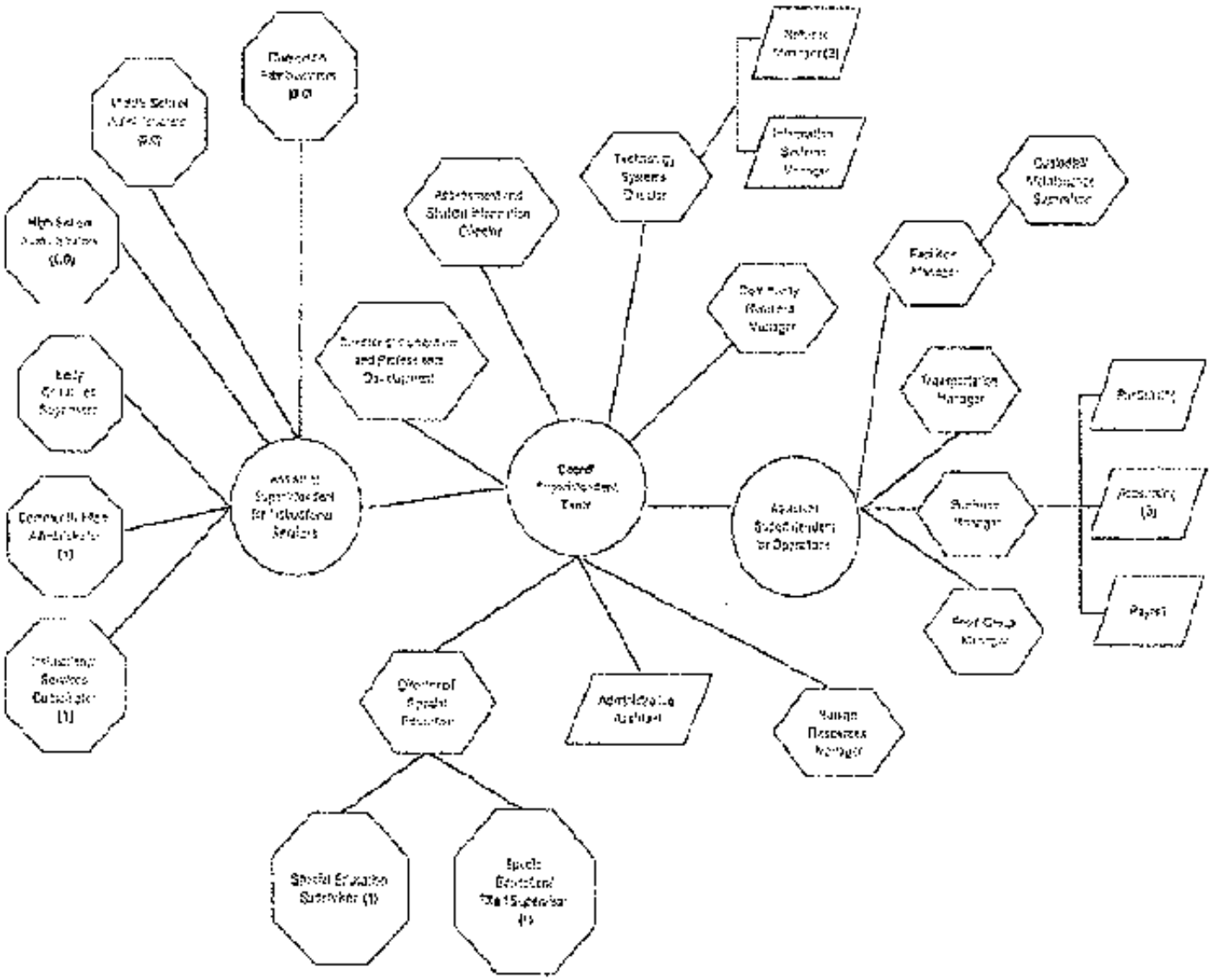
2007-08 Board of Education

Left to right seated: ***Shirley Johnson*** (Board President, Elected 2001, Term Expires 2009); ***Jennifer Whistler*** (Board Vice-President, Elected 2004, Term Expires 2012); ***Deb Polderman*** (Board Treasurer, Elected 2006, Term Expires 2010).
Left to right standing: ***Wendy Mazer*** (Trustee, Elected 2006, Term Expires 2010); ***Tom Eddy*** (Trustee, Elected 1996, Term Expires 2008); ***Melanie Kurdys*** (Trustee, Elected 2007, Term Expires 2011); ***Dale Posthumus*** (Trustee, Elected 2007, Term Expires 2011).

Central Administration

Marsha Wells, Superintendent
Michael Batterson, Technology Systems Director
Denise Bresson, Director of Curriculum and Professional Development
Laurie Montgomery, Director of Special Education
Thomas Noverr, Assistant Superintendent for Operations
Ric Perry, Ed.D., Assistant Superintendent for Instructional Services
Thomas Vance, Community Relations Manager
Daniel Vomastek, Assessment and Student Information Director

PORTAGE PUBLIC SCHOOLS
ADMINISTRATIVE ORGANIZATION



ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

INTERNATIONAL

This Certificate of Excellence in Financial Reporting is presented to

PORTAGE PUBLIC SCHOOLS

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Portage Public Schools
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

October 21, 2008

Board of Education
Portage Public Schools
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Portage Public Schools*** (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of ***Portage Public Schools'*** 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of ***Portage Public Schools*** as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 21, 2008, on our consideration of ***Portage Public Schools'*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

2330 East Paris Avenue, SE •P.O. Box 6547 • Grand Rapids, MI 49516 •616.975.4100 • Fax 616.975.4400 • www.rehmann.com

The Management's Discussion and Analysis on pages 5-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portage Public Schools' basic financial statements. The introductory section, supplementary information on pages 56-67, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rehmann Robson

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of the Portage Public School's comprehensive annual financial report presents our discussion and analysis of the School District's financial performance for the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of basic financial statements and notes to those basic financial statements. These statements are organized so the reader can understand Portage Public Schools financially as a whole. The ***Government-wide Financial Statements*** provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the Government-wide financial statements by providing information about the School District's most significant funds for the year ended June 30, 2008, the General Fund and the 2008 Construction Funds, with all other funds presented in one column as nonmajor governmental funds. The fund financial statement section also includes the General Fund budget and actual comparison statement. The remaining statement, the ***Statement of Fiduciary Assets and Liabilities,*** presents financial information about activities for which the School District acts solely as an agent for the benefit of student groups. The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by supplementary information that further explains and supports the basic financial statements. The following figure shows how the various parts of this comprehensive annual financial report are arranged and related to one another:

Management's Discussion and Analysis (MD & A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements ***Fund Financial Statements***

Notes to the Basic Financial Statements

Supplementary Information

Statistical Section

Reporting the School District as a Whole - Government-wide Financial Statements

The ***Statement of Net Assets*** and the ***Statement of Activities***, which appear first in the School District's basic financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The Statement of Net Assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial position is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as changes in the School District's property tax base, the quality of the education provided, and the condition of the school buildings and other facilities to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community service, athletics, food service, and bookstore. Property taxes, unrestricted State aid (foundation grant allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Food Service, Athletic, and Bookstore Special Revenue Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included in the basic financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the School District as a Whole

TABLE 1

Summary of Net Assets
June 30, 2008 and 2007

	Governmental Activities	
	2008	**2007**
Assets		
Current and other assets	$138,001,248	$19,799,800
Capital assets, net of accumulated depreciation	46,187,871	43,325,275
Total Assets	184,189,119	63,125,075
Liabilities		
Current liabilities	12,752,336	9,039,673
Long-term liabilities	149,312,437	32,514,446
Total Liabilities	162,064,773	41,554,119
Net Assets		
Investment in capital assets, net of related debt	13,507,693	11,520,540
Restricted	1,873,145	2,873,872
Unrestricted	6,743,508	7,176,544
Total Net Assets	**$ 22,124,346**	**$21,570,956**

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were $22,124,346 and $21,570,956 at June 30, 2008 and 2007, respectively. The amount invested in capital assets-net of related debt, totaling $13,507,693, compares the original cost, less accumulated depreciation, of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. This includes $625,548 for debt service and $1,247,597 for the building and site sinking fund. The remaining amount of net assets, $6,743,508, is unrestricted.

Unrestricted net assets of governmental activities represent the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General, Food Service, and Athletic funds will have a significant impact on the change in unrestricted net assets.

The School District is able to report positive balances in all three categories of net assets. The investment in capital assets, net of related debt, increased $1,987,153 as a result of funds available for investment into buildings and equipment. In addition, the overall debt of the School District increased. Please refer to the Capital Assets and Long-Term Debt sections for a discussion of the activity for the year. The decrease in the restricted net assets of $1,000,727 is a result of decreased funds designated for debt service of $1,229,699 offset by an increase in funds designated for sinking fund projects of $228,972. The decrease in unrestricted net assets of $433,036 is primarily the result of decreased funds for the general fund plus an increase in our compensated absences and self funded insurance claim liabilities.

The results of this year's operations for the School District as a whole are reported in the Condensed Statement of Activities (Table 2), which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007.

TABLE 2

Condensed Statement of Activities
Years Ended June 30, 2008 and 2007

	Governmental Activities	
	2008	**2007**
Revenues		
Program Revenue:		
Charges for services	$ 4,814,371	$ 4,666,667
Operating grants and contributions	4,574,919	4,627,582
Capital grants and contributions	127,714	-
General Revenue:		
Property taxes	30,703,041	29,860,123
Unrestricted state aid	44,860,304	45,104,656
Unrestricted grants and contributions	137,003	106,894
Unrestricted investment earnings	1,264,062	731,481
Change in fair value of securities	(1,560,426)	-
Gain on sale of capital assets	-	1,060,086
Total Revenues	84,920,988	86,157,489
Functions/Program Expenses		
Instruction	46,342,039	46,553,501
Supporting services	27,863,162	27,926,063
Community service	2,056,555	2,101,376
Athletics	1,552,896	1,506,012
Bookstore	24,316	33,048
Food service	2,499,185	2,420,686
Interest on long-term debt	3,117,805	1,979,060
Depreciation (unallocated)	911,640	833,760
Total Expenses	84,367,598	83,353,506
Increase in Net Assets	553,390	2,803,983
Beginning Net Assets	21,570,956	18,766,973
Ending Net Assets	**$22,124,346**	**$21,570,956**

As reported in the Condensed Statement of Activities, the cost of all of our governmental activities this year was $84,367,598. Certain activities were partially funded from charges for services from those who benefited from the programs of $4,814,371, or by other governments and organizations that subsidized certain programs with grants and contributions of $4,574,919, and by organizations that made capital contributions of $127,714. We paid for the remaining "public benefit" portion of our governmental activities with $30,703,041 in taxes, $44,860,304 in unrestricted State aid, grants and contributions not restricted to specific programs of $137,003, unrestricted investment earnings of $1,264,062, and a change in fair market value of securities of ($1,560,426).

The School District experienced an increase in net assets of $553,390. Key reasons for the change in net assets included capitalizable expenditures from the General Fund and the Building and Site Sinking Fund, and the repayment of bond principal. Property tax revenues increased as the District's taxable value increased, and the District continued to receive $2,942,515 from the regional enhancement millage through K/resa. The increase in net assets differs from the change in fund balance, and a reconciliation is included in the basic financial statements.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may give more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of $126,400,481, which is an increase of $115,431,380 from last year. The primary reason for the increase is excess revenues over expenditures in the debt retirement, building & site sinking, construction funds, and food service funds of $115,714,665. This was offset by the general fund and athletic fund losses of ($283,285).

In the General Fund, our principal operating fund, the fund balance decreased $283,200 to $6,778,346. The School District budgeted a decrease of ($590,109). The General Fund fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds remained stable from the prior year, showing a combined net increase of $363. The Athletics Fund had a net decrease of ($85), and the Food Service Fund had a net increase of $448.

Combined, the Debt Service Funds showed an increase in fund balance of $627,004. The School District levied 2.2 mills on all property, and this rate was unchanged from the prior year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balances are reserved since they can only be used to pay debt service obligations.

The Building and Site Sinking Fund fund balance increased by $228,972. This fund levied .5 mills on all property to make improvements to the School District's facilities and property, and this rate was unchanged from the prior year.

The 2008 Bond Construction Funds indicate fund balance of $114,858,241. This is a result of the District passing two bond proposals in November, 2007. The district issued $112,275,000 in general obligation bonds and received $120,384,940 in bond proceeds in February, 2008. Our funds earned $666,334 in interest earnings, recorded a change in fair market value of securities of $1,560,426, and spent $4,632,607 during the year ended June 30, 2008.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the School District amends its budget during the school year as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided as part of the basic financial statements. Changes to the General Fund original budget were as follows:

General Fund Revenues and Other Financing Sources

The General Fund Budget for revenues and other financing sources was increased by 2.18% for the year ended June 30, 2008.

Total Revenues and Other Financing Sources Final Budget	$76,743,577
Total Revenues and Other Financing Sources Original Budget	75,067,061
Increase in Budgeted Revenues and Other Financing Sources	**$ 1,676,516**

The School District's actual general fund revenues and other financing sources were less than the final budget by $46,094, a variance of .06%. Some of the significant revised budget adjustments for revenue for the year include:

- Property tax and enhancement millage revenues decreased $294,000 from the beginning 2007 valuation through the settlement process.
- State aid foundation grant allowance increased $1,460,000 due to the offsetting property tax valuation increase above, and the School District had slightly higher actual enrollments in the September membership count than were previously budgeted for in June. The foundation grant amount per fte was also more than projected by $119 per fte.
- Special Education funding through K/resa increased $310,000 due to increased funding availability.
- Decrease in projected interest earnings of $135,000.
- Increase in State categorical revenues of $232,000 from adjustments to awards in new and existing programs.
- Increase in childcare and academy fees of $85,000 due to increased enrollments at all sites.

General Fund Expenditures and Other Financing Uses

The School District's budget for expenditures and other financing uses increased by 2.60% for the year ended June 30, 2008.

Total Expenditures and Other Financing Uses Final Budget	$77,333,686
Total Expenditures and Other Financing Uses Original Budget	75,377,103
Increase in Expenditure Budget	**$ 1,956,583**

The School District's actual General Fund expenditures were less than the revised budget by $371,667, a variance of .48%.

Some of the significant revised budget adjustments for expenditures for the year include:

- Establishment of budget for the replacement of elementary building playground equipment for $442,000. This amount was included in designated fund balance for the year ended June 30, 2007.

- Increase in salary and all fringe benefits for all employee groups of $1,064,000 based on actual staffing and negotiated contracts. The School District also increased its usage of contracted substitute teachers, and cafeteria and playground supervisor employees during the year, saving mostly on fringe benefit costs.

- Increase in estimate for fuel costs of $132,000.

- Increase in supply and purchased services estimates of $681,000, primarily in substitute costs, contracted employee costs, maintenance costs, and transfers from our designated fund balance for building supply costs.

Although the School District's final budget for the General Fund anticipated that expenditures would exceed revenues by ($590,109), the actual results for the year show a deficit of ($283,200).

Some of the significant variations between budgeted and actual results for revenues and expenditures are described below:

- Actual revenues and other financing sources were $46,094 less than expected. This is due to $98,000 less federal and state grant revenues received as a result of timing on grant spending. Local revenues were higher than projected by $52,000. This consisted of childcare, enrichment, and facility rental fees, and property tax revenues recognized due to larger than expected enhancement millage and personal property tax collections received at year end.

- Actual expenditures and other financing uses were $353,003 less than budget. Additional costs of $94,000 were incurred in salaries, fringe benefits, and utilities. These were offset by savings of $447,000 in contracted substitutes, fuel, supplies, professional development, and capital outlay funds not being spent.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008 and 2007, the School District's investment in capital assets for its governmental activities was $46,187,871 and $43,325,275 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, furniture and equipment, transportation and maintenance vehicles, assets not yet placed in service, and construction in progress.

Capital Assets
June 30, 2008 and 2007

	2008	2007
Land	$ 739,310	$ 739,310
Land improvements	4,262,896	3,357,478
Buildings and improvements	60,115,325	59,425,602
Furniture and equipment	14,073,306	13,587,943
Busses and other vehicles	4,794,269	4,448,150
Assets not yet placed in service	16,475	24,771
Construction in progress	3,330,593	435,554
Total Capital Assets	87,332,174	82,018,808
Less accumulated depreciation	41,144,303	38,693,533
Net Capital Assets	**$46,187,871**	**$43,325,275**

The amount represents a net increase in net capital assets of $2,862,596, or 6.60% (cost of new additions, less net book value of deletions, less depreciation expense for the year) over the prior year and includes the following capital asset events during 2007-08:

- New busses costing $403,944 were purchased. (See a description of the financing obtained for some of the purchases in the Long-Term Debt section below.)
- Computers and other equipment were purchased totaling $626,306.
- Building renovations, roofing, door replacements, and other projects were completed in several buildings at a cost of $476,683.
- Replacement of the elementary building playground equipment was completed at a cost of $441,399.
- Five new portables were purchased for the Portage Community Education Center for $191,549.
- 2008 Bond Construction projects were begun at various sites at a cost of $3,085,214.
- Replacement of Woodland Elementary's roof was begun at a cost of $245,380.

Depreciation expense for the year is $2,588,095. Major capital projects are planned for the 2008-09 fiscal year funded primarily out of the 2008 Bond Construction Funds. We present more detailed information on our capital assets in Note IIIC in the basic financial statements.

Long-Term Debt

At June 30, 2008 and 2007, the School District's outstanding debt can be summarized as follows:

	2008	**2007**
General long-term obligation bonds	$139,570,000	$30,575,000
Installment purchase contracts	996,698	1,216,976
Compensated absences	542,579	540,377
Obligation under Pay for Performance plan	199,278	169,334
Unamortized bond premium	8,003,882	12,759
Total	**$149,312,437**	**$32,514,446**

During the 2007-08 fiscal year, the School District's total debt increased by $116,797,991 (359.2%). The School District issued $112,275,000 in bonds for the construction and renovations of its buildings and purchase of equipment and $162,184 in an installment purchase contract for the purchase of busses. Other long-term obligations include employee compensated absences for vacation pay and teachers' sick pay, and the obligation under the pay for performance plan for administrators. During the year ended June 30, 2008, principal payments of $3,662,462 were made on the outstanding debt.

The School District's General Obligation Bond rating continues to be "AA-" from Standard and Poor's Rating Services and "A1" from Moody's Investor Services. Certain bonds carry an insured rating of Aaa and AAA based on the ratings of the insurance companies insuring the bonded debt. The State limits the amount of general obligation debt that schools can issue to 15% of the assessed value of all taxable property within the School District's boundaries. If the School District ssues "qualified debt," that is, debt backed by the State of Michigan, such obligations are not subjet to this debt limit. The School District's outstanding unqualified general obligation debt of $139,570,000 is significantly less than the State's statutorily imposed limit of $371,465,798. Additional detailed information regarding long-term debt can be found in Note IIIF in the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and Administration consider many factors when setting the School District's 2008-09 fiscal year budget. Two of the major factors affecting the budget are the student enrollment and the State funding of the foundation grant allowance.

Each year, the School District has enrollment projections prepared. Due to the continued uncertainty of the net number of jobs that would be impacted by the Pfizer, Inc. restructure, the local economy, and student demographics, the School District budgeted for a net loss of 100 students for 2008-09.

As stated earlier in this report, the State foundation grant revenue is determined by multiplying the blended student count by the foundation grant allowance per pupil. As a State aid bill had not been finalized by the time the Board of Education adopted the budget in June, 2008, the School District's Board of Education adopted a budget with a 25/75% blend of the actual February, 2008 and estimated September, 2008 student counts. We used a $7,304 foundation grant, which was a $100 increase over the foundation grant amount for the 2007-08 fiscal year. On August 6, 2008, the State Aid bill was signed by the Governor. It includes a base foundation grant of $7,316, which is a $112 increase over the prior year. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent upon State funding and the health of the State's School Aid Fund, the actual funding received depends on the State's ability to collect revenues to fund its appropriations to school districts.

Based on early enrollment data at the start of the 2008-09 school year, we anticipate that the fall student count will be slightly higher than the estimates used in creating the budget.

In 2008, the School District settled labor contracts with the teachers, secretaries, bus drivers, food service, and teamster unions. All 2009 contracts are currently pending negotiations, and much is dependent on the State's approved budget.

Budget reductions were made in various areas both in fiscal 2008 and 2009 in anticipation of financial constraints from the local and State economy. In May, 2008 a 1.5 county wide enhancement millage was renewed by the voters in Kalamazoo County. This millage is for three years and continues with the 2008-09 school year. It is intended to provide approximately $2,900,000 of local support for the School District. As enrollment numbers and state funding are finalized, the School District will amend its budget to respond to these constraints.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office at Portage Public Schools, 8111 S. Westnedge Avenue, Portage, Michigan 49002.

Basic Financial Statements

Government-wide Financial Statements

PORTAGE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Cash and cash equivalents	$ 193,545
Investments	126,452,738
Receivables	10,066,832
Inventories and prepaid items	255,972
Deferred charges	1,032,161
Capital assets:	
Land and construction in progress	4,086,378
Other capital assets, net of accumulated depreciation	42,101,493
Total assets	184,189,119
Liabilities	
Accounts payable and accrued liabilities	12,257,291
Unearned revenue	495,045
Long-term debt:	
Due within one year	5,002,755
Due in more than one year	144,309,682
Total liabilities	162,064,773
Net assets	
Invested in capital assets, net of related debt	13,507,693
Restricted for:	
Debt service	625,548
Building and Site Sinking Fund	1,247,597
Unrestricted	6,743,508
Total net assets	$ 22,124,346

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2008

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Assets
Governmental activities:					
Instruction	$ 46,342,039	$ 212,307	$ 2,413,619	$ 2,644	$ (43,713,469)
Supporting services	27,863,162	287,850	1,021,836	36,813	(26,516,663)
Community service	2,056,555	2,317,721	-	1,191	262,357
Athletics	1,552,896	255,785	5,067	87,066	(1,204,978)
Bookstore	24,316	24,316	-	-	-
Food service	2,499,185	1,716,392	924,773	-	141,980
Interest on long-term debt	3,117,805	-	209,624	-	(2,908,181)
Unallocated depreciation	911,640	-	-	-	(911,640)
Total	$ 84,367,598	$ 4,814,371	$ 4,574,919	$ 127,714	(74,850,594)

General revenues:	
Property taxes, levied for general operations	24,541,929
Property taxes, levied for debt service and capital projects funds	6,161,112
Unrestricted state aid	44,860,304
Grants and contributions not restricted to specific programs	137,003
Unrestricted investment earnings	1,264,062
Change in fair value of securities	(1,560,426)
Total general revenues	75,403,984
Change in net assets	553,390
Net assets, beginning of year	21,570,956
Net assets, end of year	$ 22,124,346

The accompanying notes are an integral part of these basic financial statements.

Fund Financial Statements

PORTAGE PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Capital Projects Funds: Bond Construction 2008 #1	Capital Projects Funds: Bond Construction 2008 #2
ASSETS			
Assets			
Cash and cash equivalents	$ 119,031	$ 21	$ 23
Investments	6,081,959	86,994,942	28,723,650
Accounts receivable	170,316	392,341	64,990
Taxes receivable	110,515	-	-
Due from other governments	9,079,011	-	-
Due from other funds	-	-	-
Inventory	29,659	-	-
Prepaids	199,696	-	-
Notes receivable	-	-	-
TOTAL ASSETS	$ 15,790,187	$ 87,387,304	$ 28,788,663
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 398,811	$ 551,457	$ 766,269
Salaries and withholdings payable	5,098,548	-	-
Accrued liabilities	2,807,687	-	-
Due to other governments	72,951	-	-
Due to other funds	120,544	-	-
Deferred revenue	513,300	-	-
Total liabilities	9,011,841	551,457	766,269
Fund balances			
Reserved for:			
Inventory	29,659	-	-
Prepaids	199,696	-	-
Unreserved:			
Designated	248,562	-	-
Designated, reported in nonmajor:			
Special revenue funds	-	-	-
Undesignated	6,300,429	86,835,847	28,022,394
Undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects fund	-	-	-
Total fund balances	6,778,346	86,835,847	28,022,394
TOTAL LIABILITIES AND FUND BALANCES	$ 15,790,187	$ 87,387,304	$ 28,788,663

The accompanying notes are an integral part of these basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
$ 74,470	$ 193,545
4,652,187	126,452,738
183,195	810,842
22,100	132,615
40,344	9,119,355
120,544	120,544
20,369	50,028
6,248	205,944
4,020	4,020
$ 5,123,477	$ 137,089,631

$ 272,850	$ 1,989,387
29,801	5,128,349
10,090	2,817,777
-	72,951
-	120,544
46,842	560,142
359,583	10,689,150
20,369	50,028
6,248	205,944
-	248,562
80,592	80,592
-	121,158,670
666,778	666,778
2,742,310	2,742,310
1,247,597	1,247,597
4,763,894	126,400,481
$ 5,123,477	$ 137,089,631

PORTAGE PUBLIC SCHOOLS

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2008

Fund balances - total governmental funds	$	126,400,481
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Add: capital assets not being depreciated		4,086,378
Add: capital assets being depreciated		83,245,796
Deduct: accumulated depreciation		(41,144,303)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.		
Add: deferred property taxes		61,077
Add: other deferred revenues		4,020
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Deduct: bonds payable		(140,566,698)
Deduct: accrued interest on bonds payable		(2,116,762)
Deduct: compensated absences and pay for performance plan		(741,857)
Deduct: unamortized bond premiums		(8,003,882)
Add: deferred bond charges		1,032,161
Deduct: estimated claims liability		(132,065)
Net assets of governmental activities	$	22,124,346

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

		Capital Projects Funds	
	General Fund	Bond Construction 2008 #1	Bond Construction 2008 #2
Revenues			
Local sources	$ 28,419,444	$ (818,240)	$ (75,852)
State sources	46,672,950	-	-
Federal sources	1,242,209	-	-
Total revenues	76,334,603	(818,240)	(75,852)
Expenditures			
Current:			
Instruction	45,710,135	-	-
Supporting services	27,715,218	-	-
Community service	2,029,033	-	-
Athletics	-	-	-
Bookstore	-	-	-
Food service	-	-	-
Debt service:			
Principal	375,325	-	-
Interest	40,749	-	-
Bond issuance costs	-	791,008	256,221
Other	-	-	-
Capital outlay	-	2,058,844	1,526,534
Total expenditures	75,870,460	2,849,852	1,782,755
Revenues over (under) expenditures	464,143	(3,668,092)	(1,858,607)
Other financing sources (uses)			
Issuance of long-term debt	162,184	84,406,984	27,868,016
Premium on the issuance of long-term debt	-	6,096,955	2,012,985
Proceeds from the sale of capital assets	4,853	-	-
Transfers in	195,843	-	-
Transfers out	(1,110,223)	-	-
Total other financing sources (uses)	(747,343)	90,503,939	29,881,001
Net change in fund balances	(283,200)	86,835,847	28,022,394
Fund balances, beginning of year	7,061,546	-	-
Fund balances, end of year	$ 6,778,346	$ 86,835,847	$ 28,022,394

The accompanying notes are an integral part of these basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
$ 8,534,687	$ 36,060,039
90,046	46,762,996
834,729	2,076,938
9,459,462	84,899,973
-	45,710,135
-	27,715,218
-	2,029,033
1,436,123	1,436,123
24,316	24,316
2,472,933	2,472,933
3,287,137	3,662,462
1,315,884	1,356,633
-	1,047,229
11,483	11,483
969,627	4,555,005
9,517,503	90,020,570
(58,041)	(5,120,597)
-	112,437,184
-	8,109,940
-	4,853
1,110,223	1,306,066
(195,843)	(1,306,066)
914,380	120,551,977
856,339	115,431,380
3,907,555	10,969,101
$ 4,763,894	$ 126,400,481

PORTAGE PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	$	115,431,380
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Add: capital outlay		5,399,428
Add: donated capital assets		62,751
Deduct: depreciation expense		(2,588,095)
Governmental funds report proceeds from the sale of capital assets as an other financing source. However, in the statement of activities, the difference between the sales proceeds and the net book value of the capital assets sold are reported as a gain or loss on disposal.		
Deduct: proceeds from the sale of capital assets		(4,853)
Deduct: loss on disposal of capital assets		(6,635)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.		
Deduct: change in deferred property taxes		(45,756)
Add: payments received on long-term receivables		4,020
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Add: principal payments on long-term liabilities		3,662,462
Deduct: proceeds from issuance of long-term liabilities		(112,437,184)
Add: unamortized bond issuance costs		1,047,229
Deduct: net premium on issuance of long-term liabilities		(8,109,940)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Deduct: increase in accrued interest payable on bonds		(1,856,703)
Add: amortization of bond premiums		118,817
Deduct: amortization of deferred charges		(15,068)
Deduct: increase in the accrual for compensated absences		(32,146)
Deduct: change in estimated claims liability		(76,317)
Change in net assets of governmental activities	$	553,390

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2008

	Budget			Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local sources	$ 28,175,636	$ 28,366,624	$ 28,419,444	$ 52,820
State sources	45,245,271	46,660,039	46,672,950	12,911
Federal sources	1,251,934	1,352,694	1,242,209	(110,485)
Total revenues	74,672,841	76,379,357	76,334,603	(44,754)
Expenditures				
Instruction				
Basic program	38,373,499	39,082,973	39,045,914	(37,059)
Added needs	6,593,839	6,681,629	6,560,888	(120,741)
Adult and continuing education	108,316	104,138	103,333	(805)
Total instruction	45,075,654	45,868,740	45,710,135	(158,605)
Supporting services				
Pupil	4,288,250	4,595,577	4,574,477	(21,100)
Instructional staff	4,630,861	4,805,460	4,721,123	(84,337)
General administration	801,133	774,918	789,378	14,460
School administration	3,876,420	4,145,941	4,093,340	(52,601)
Business	870,164	875,364	881,262	5,898
Operations and maintenance	7,422,836	7,831,741	7,801,085	(30,656)
Transportation	2,893,176	3,043,689	2,945,033	(98,656)
Central support	1,972,491	1,860,857	1,909,520	48,663
Total supporting services	26,755,331	27,933,547	27,715,218	(218,329)
Community service	2,057,181	2,014,437	2,029,033	14,596
Debt service				
Principal	373,316	375,322	375,325	3
Interest	40,744	40,749	40,749	-
Total debt service	414,060	416,071	416,074	3
Total expenditures	74,302,226	76,232,795	75,870,460	(362,335)
Revenues over expenditures	370,615	146,562	464,143	317,581

continued…

PORTAGE PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Concluded)
For the Year Ended June 30, 2008

	Budget			Over (Under)
	Original	Final	Actual	Final Budget
Other financing sources (uses)				
Issuance of long-term debt	$ 162,184	$ 162,184	$ 162,184	$ -
Proceeds from the sale of capital assets	40,000	10,000	4,853	(5,147)
Transfers in	192,036	192,036	195,843	3,807
Transfers out	(1,074,877)	(1,100,891)	(1,110,223)	(9,332)
Total other financing sources (uses)	(680,657)	(736,671)	(747,343)	(10,672)
Net change in fund balance	(310,042)	(590,109)	(283,200)	306,909
Fund balance, beginning of year	7,061,546	7,061,546	7,061,546	-
Fund balance, end of year	$ 6,751,504	$ 6,471,437	$ 6,778,346	$ 306,909

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

Assets		
Cash and cash equivalents	$	61,243
Investments		675,000
Total assets	$	736,243
Liabilities		
Due to student groups	$	736,243

The accompanying notes are an integral part of these basic financial statements.

Notes to the Basic Financial Statements

PORTAGE PUBLIC SCHOOLS

Index

Notes to the Basic Financial Statements

June 30, 2008

		PAGE
I.	**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**	
A.	Reporting entity	36
B.	Government-wide and fund financial statements	36
C.	Measurement focus, basis of accounting, and financial statement presentation	36-38
D.	Assets, liabilities, and fund balance	38-40
II.	**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**	
A.	Budgetary information	40
B.	Encumbrances	40
C.	Bonded Construction Costs	41
D.	Sinking fund	41
E.	Excess of expenditures over appropriations	41
III.	**DETAILED NOTES ON ALL FUNDS**	
A.	Deposits and investments	41-43
B.	Receivables	44
C.	Capital assets	44-45
D.	Payables	45
E.	Interfund receivables, payables, and transfers	46
F.	Long-term debt	47-48
G.	Fund balance reservations and designations	48
IV.	**OTHER INFORMATION**	
A.	Risk management	49
B.	Defined benefit pension plan	50-51
C.	Early retirement incentive plan	51
D.	Deferred compensation plans	51
E.	Subsequent events	51

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Portage Public Schools (the "School District" or the "government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School District are described below.

A. Reporting entity

The School District has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the School District.

B. Government-wide and fund financial statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School District had no business-type activities during the year ended June 30, 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted State aid, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, although the agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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

The *Capital Projects Bond Construction 2008 #1 and Bond Construction 2008 #2 Funds* are used to account for capital outlay expenditures from the 2008 Building and Site Improvement bonds.

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations. The School District's special revenue funds include athletics, bookstore, and food service operations.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, major remodeling and improvements.

The *Agency Fund* accounts for assets held for student groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and fund balance

1. Deposits and investments

The School District's cash and cash equivalents are considered to be cash on hand and demand deposits which include savings and checking accounts.

Investments are reported at fair value based on quoted market prices and include certificates of deposit.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

3. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property on July 1 and December 1 of the following year. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28 before they are added to the delinquent tax rolls.

The delinquent real property taxes of the School District are purchased by Kalamazoo County. These taxes have been recorded as revenue for the current year. Uncollected personal property taxes are carried as assets of the General, Capital Projects, and Debt Service Funds. Property taxes that are not collected within sixty days of the end of the fiscal year are classified as deferred revenues. Uncollected delinquent personal property taxes are written off after three years.

4. Inventory and prepaid items

General Fund inventories are stated at the lower of average cost or market, and consist primarily of maintenance supplies, teaching supplies and natural gas. The cost is recorded as an expenditure when consumed rather than when purchased. Inventories of the Special Revenue Funds consist primarily of government food commodities, which are donated and recorded at fair value. Donated government commodities are recorded as revenue when they are received. Certain prepayments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements. Reported inventories and prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. *Capital assets*

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the Government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than $1,000 or computer equipment with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives (land is not depreciated):

Assets	Years
Buildings	50
Vehicles	5-10
Equipment	5-20

6. *Compensated absences*

Vacation and Sick Pay – Vacation days are earned by most year-round employees at rates specified under contractual provisions. Retiring/terminated employees are paid for unused accumulated vacation days. The School District's sick pay policy allows for accumulation of up to a certain number of days depending on the employee group involved. Upon termination of employment, all accumulated sick days are forfeited, except for teachers who receive an incentive if they have more than 50 days accumulated in their sick leave bank when they retire. It is the School District's policy to recognize the cost of sick leave at the time payments are made.

The liability for compensated absences reported in the Government-wide financial statements consists of unpaid, accumulated vacation days for year-round employees and accumulated sick days for teachers who are at least 55 years old and have ten or more years of service. The liability has been calculated for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes no fringe benefits.

7. *Deferred revenue*

Childcare and community enrichment fees received, which relate to future periods, are recorded as deferred revenue. Property taxes are deferred as described above. Receipts in excess of cost on grants are recorded as deferred revenue until spent or refunded to the grantor.

8. Long-term obligations

In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

9. Fund balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis. State law requires the School District to have its budget in place by July 1. Districts are permitted to amend their budgets during the year. There were no significant amendments.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

C. Bonded Construction Costs

The 2008 Bond Construction Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Michigan Revised School Code.

D. Sinking Fund

The Building and Site Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Michigan Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

E. Excess of expenditures over appropriations

Budget to actual comparisons for the General Fund are presented in the fund financial statements at a level of detail greater than the legal level of budgetary control. Budgets are approved at the broad functional level. The District incurred expenditures in excess of appropriated amounts in the general fund community service function. The final budgeted amount was $2,014,437 and $2,029,033 was incurred in expenditures, resulting in a budget to actual variance of $14,596. In addition, transfers out were budgeted for $1,100,891 and $1,110,223 was incurred in expenditures, resulting in a budget to actual variance of $9,332.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets and Liabilities is as follows:

Statement of Net Assets	
Cash and cash equivalents	$ 193,545
Investments	126,452,738
Statement of Fiduciary Assets and Liabilities	
Agency Fund:	
Cash and cash equivalents	61,243
Investments	675,000
	$ 127,382,526
Cash on hand	$ 2,360
Bank deposits (checking accounts, savings accounts and CDs)	11,661,574
Investments	115,718,592
	$ 127,382,526

Statutory Authority

Michigan law authorizes the School District to deposit and invest in:

(a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.

(b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

(c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

(e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

(f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The School District's investment policy allows for all of these types of investments.

Deposit and investment risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. State law does not require and the School District does not have a policy for deposit custodial credit risk. As of year end, $11,557,973 of the School District's bank balance of $12,175,051 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The School District utilizes an investment advisor to assist it in diversifying its investment portfolio by maintaining concentration limits for both types of investments and specific institutions.

Custodial Credit Risk – Investments. Following is a summary of the School District's investments as of June 30, 2008:

U.S. treasuries	$	89,520,376
Commercial paper		25,512,756
Money market funds		685,460
	$	**115,718,592**

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government's name. In accordance with the School District's investment policy, all investments are held in the name of the School District and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings with purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools and identified in the list of authorized investments above. The School District's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

Unrated	$	685,460
S&P AAA		89,520,376
A1P1		25,512,756
	$	**115,718,592**

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments held at year-end are summarized as follows:

No maturity	$	685,460
Less than one year		25,512,756
1 - 5 years		89,520,376
	$	**115,718,592**

Concentration of credit risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above.

B. Receivables

Receivables as of year end for the School District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Capital Projects Bond Construction 2008 #1	Capital Projects Bond Construction 2008 #2	Nonmajor Funds	Total
Receivables:					
Accounts	$ 170,316	$ 392,341	$ 64,990	$ 183,195	$ 810,842
Taxes	110,515	-	-	22,100	132,615
Intergovernmental	9,079,011	-	-	40,344	9,119,355
Notes	-	-	-	4,020	4,020
Total receivables	**$ 9,359,842**	**$ 392,341**	**$ 64,990**	**$ 249,659**	**$ 10,066,832**

C. Capital assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 739,310	$ -	$ -	$ 739,310
Assets not yet placed in service	24,771	-	(8,296)	16,475
Construction in progress	435,554	3,330,593	(435,554)	3,330,593
Total capital assets not being depreciated	1,199,635	3,330,593	(443,850)	4,086,378
Capital assets being depreciated:				
Land improvements	3,357,478	905,418	-	4,262,896
Buildings and improvements	59,425,602	689,723	-	60,115,325
Equipment	13,587,943	576,351	(90,988)	14,073,306
Vehicles	4,448,150	403,944	(57,825)	4,794,269
Total capital assets being depreciated	80,819,173	2,575,436	(148,813)	83,245,796
Less accumulated depreciation for:				
Land improvements	1,499,201	118,927	-	1,618,128
Buildings and improvements	24,775,978	862,803	-	25,638,781
Equipment	9,753,807	1,220,396	(79,500)	10,894,703
Vehicles	2,664,547	385,969	(57,825)	2,992,691
Total accumulated depreciation	38,693,533	2,588,095	(137,325)	41,144,303
Total capital assets being depreciated, net	42,125,640	(12,659)	(11,488)	42,101,493
Governmental activities capital assets, net	**$ 43,325,275**	**$ 3,317,934**	**$ (455,338)**	**$ 46,187,871**

For the year ended June 30, 2008, depreciation expense was charged to the functions/programs of the School District as follows:

Governmental activities:	
Instruction	$ 624,910
Supporting services	892,891
Community service	16,520
Athletics	115,882
Food service	26,252
Unallocated depreciation	911,640
Total government activities	**$ 2,588,095**

The School District has active construction projects at year end. At June 30, 2008, the School District has commitments with contractors of approximately $1,017,000 in the 2008 Bond Construction Fund #1 for the purchase of copiers.

D. Payables

Accounts payable and accrued liabilities as of year end for the School District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Capital Projects Bond Construction 2008 #1	Capital Projects Bond Construction 2008 #2	Nonmajor Funds	Total
Fund Financial Statements					
Accounts payable	$ 398,811	$ 551,457	$ 766,269	$ 272,850	$ 1,989,387
Salaries and withholdings payable	5,098,548	-	-	29,801	5,128,349
Accrued liabilities	2,807,687	-	-	10,090	2,817,777
Due to other governments	72,951	-	-	-	72,951
	$ 8,377,997	**$ 551,457**	**$ 766,269**	**$ 312,741**	**10,008,464**
Government-wide Financial Statements					
Accrued interest payable					2,116,762
Estimated claims liability					132,065
Total accounts payable and accrued liabilities					**$ 12,257,291**

E. Interfund receivables, payables, and transfers

At June 30, 2008, interfund receivables and payables consisted of the following:

	Due to	Due from
General Fund	$ 120,544	$ -
Nonmajor governmental funds	-	120,544
	$ 120,544	**$ 120,544**

For the year ended June 30, 2008, interfund transfers consisted of the following:

	Transfers out	Transfers in
General Fund	$ 1,110,223	$ 195,843
Nonmajor governmental funds	195,843	1,110,223
	$ 1,306,066	**$ 1,306,066**

The School District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2008, the School District transferred funds to provide funds for athletic activities and transfer indirect costs.

F. Long-term debt

Long-term debt and other obligations of the School District at June 30, 2008 are summarized as follows:

	Long-Term Debt Outstanding at July 1, 2007	Additions	Retirements	Long-Term Debt Outstanding at June 30, 2008	Amount Due Within One Year
2008 General Obligation Building and Site Bonds, $112,275,000, due in annual installments of $900,000 to $6,300,000 through May 1, 2031, with interest at 3.25% to 5.25%. Purpose of issue: Construction of new buildings, renovations, and reequipping at all buildings	$ -	$112,275,000	$ -	$112,275,000	$ 900,000
2002 General Obligation Building and Site Bonds, $11,885,000, due in annual installments of $450,000 to $1,870,000 through May 1, 2014, with interest at 2% to 5%. Purpose of issue: Construction, renovation, and reequipping at all buildings	8,220,000	-	850,000	7,370,000	600,000
1999 Refunding Bonds, $24,170,000, due in annual installments of $125,000 to $2,750,000 through May 1, 2019, with interest at 3.1% to 5.0%. Purpose of issue: Partial refunding of 1993 and 1996 bond issues	22,355,000	-	2,430,000	19,925,000	2,535,000
Various vehicle installment purchase contracts, due in annual installments of $11,068 to $70,526, with interest at 4.13% to 5.60%	1,216,976	162,184	382,462	996,698	297,603
Total Installment Debt	**31,791,976**	**112,437,184**	**3,662,462**	**140,566,698**	**4,332,603**
Compensated absences	540,377	305,637	303,435	542,579	287,956
Pay for Performance Plan	169,334	29,944	-	199,278	30,000
Unamortized bond premium	12,759	8,109,940	118,817	8,003,882	352,196
Total Long-Term Debt	**$ 32,514,446**	**$120,882,705**	**$ 4,084,714**	**$149,312,437**	**$5,002,755**

Future principal and interest payment requirements on outstanding debt are as follows:

Year Ended June 30	Principal	Interest	Total
2009	$ 4,332,603	$ 7,636,524	$ 11,969,127
2010	5,086,340	6,330,364	11,416,704
2011	5,393,123	6,135,613	11,528,736
2012	5,672,053	5,925,671	11,597,724
2013	5,925,549	5,700,222	11,625,771
2014-2018	31,412,030	24,465,368	55,877,398
2019-2023	32,345,000	16,461,625	48,806,625
2024-2028	31,500,000	8,977,500	40,477,500
2029-2031	18,900,000	1,890,000	20,790,000
	$ 140,566,698	**$ 83,522,887**	**$ 224,089,585**

Installment purchase contracts, compensated absences, and obligations under the Pay for Performance plan are generally liquidated by the general fund.

G. Fund balance reservations and designations

Following is a schedule of the reservations and designations of fund balances by fund type:

	General Fund	Capital Projects Bond Construction 2008 #1	Capital Projects Bond Construction 2008 #2	Nonmajor Funds	Total
Reserved for:					
Inventory	$ 29,659	$ -	$ -	$ 20,369	$ 50,028
Prepaids	199,696	-	-	6,248	205,944
Unreserved:					
Designated for:					
Subsequent year's budget deficit	82,277	-	-	-	82,277
Site-based building expenditures	166,285	-	-	-	166,285
Site ownership of athletics revenue	-	-	-	80,592	80,592
Undesignated	6,300,429	86,835,847	28,022,394	4,656,685	125,815,355
Total fund balance	**$ 6,778,346**	**$ 86,835,847**	**$ 28,022,394**	**$ 4,763,894**	**$ 126,400,481**

IV. OTHER INFORMATION

A. Risk management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District is a participant in a public entity risk pool through SET-SEG. This program provides substantially all the insurance needs of the District, including property, general liability, automobile, and umbrella premium. Payments made for the year ended June 30, 2008, were approximately $216,000. The contributions made by the District fund the program at rates predicated on expected losses, excess insurance premium contribution, and administration costs, including appropriate state assessment. The possibility of additional claims exist but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverages are triggered.

The School District is self-insured for workers' compensation on a pay-as-you-go basis for claims up to $300,000, with reinsurance coverage provided once claims exceed $755,108 in the aggregate. The self-insurance program is administered by a third party administrator. All workers' compensation benefits are paid out of the General and Food Service funds. Changes in the estimated liability are as follows:

	2008	2007
Estimated liability, beginning of year	$ 60,291	$ 40,600
Estimated claims incurred	230,554	204,841
Claim payments	(140,215)	(185,150)
Estimated liability, end of year	**$ 150,630**	**$ 60,291**

The School District is self-insured for dental and vision coverage on a pay-as-you-go basis. The self-insurance program is administered by a third party administrator. Dental and vision benefits are paid out of the fund to which each employee's wages are charged. Changes in the estimated liability are as follows:

	2008	2007
Estimated liability, beginning of year	$ 13,500	$ 12,600
Estimated claims incurred	144,683	177,335
Claim payments	(145,775)	(176,435)
Estimated liability, end of year	**$ 12,408**	**$ 13,500**

Of the above estimated claim liabilities, the School District records $30,973 in accounts payable in the General Fund, as it represents a current liability. The balance of $132,065 is accrued on the Government-wide Statement of Net Assets. The School District pays unemployment claims on a reimbursement basis. The School District continues to carry commercial insurance for all other risks of loss, including employee life, health, and accident insurance. In the last three years settled amounts have not exceeded the insurance coverage held by the School District.

B. Defined benefit pension plan

Plan Description

The School District contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000. Basic Plan members make no contributions. The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.72% of annual covered payroll. The contribution requirements of plan members and the School District are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2008, 2007, and 2006 were $7,498,646, $7,848,601, and $7,050,557, respectively, equal to the required contributions for each year. The School District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for the fully paid subsidy of the Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

C. Early retirement incentive plan

Certain teachers and administrators of the School District have elected to participate in an early retirement incentive program established by the School District for teachers and administrators meeting various eligibility requirements. The expenditures for this plan were $195,692 for the year ended June 30, 2008. There was no outstanding long-term liability under this plan at year-end.

D. Deferred compensation plans

Pay for Performance Plan. The School District offers its administrators a pay for performance plan created in accordance with Section 457 of the Internal Revenue Code (IRC). Administrators participate in and invest in the plan based upon certain length of employment criteria. Final payments are made in a lump sum distribution or in two installment payments when the administrator retires. The vested benefits of the pay for performance plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. At June 30, 2008, the following summarizes the amounts held in the trust:

Balance in Trust Fund	$ 175,469
Amounts due from General Fund for additional vested benefits	23,809
Total Vested Benefits	**$ 199,278**

The total vested benefits are equal to the associated long term liability of $199,278.

Employee Retirement Contributions. Certain employees have contributed funds to qualified retirement trusts under Section 457 of the IRC. At June 30, 2008, the amounts held under trust were $28,909.

E. Subsequent events

Subsequent to June 30, 2008, the District entered into a contract to purchase land at a cost of $491,000. In addition, the Board approved construction contracts to be paid out of the 2008 Construction Funds in the amounts of $695,151 for Northern High School and $1,598,192 for 12th Street Elementary.

* * * * * *

Combining and Individual Fund Financial Statements and Schedules

Portage Public Schools
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

Special Revenue Funds are used to account for revenue from specific revenue sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

Athletics Fund – This fund is used to account for the District's athletic programs. Revenues consist of gate receipts and local contributions. Expenditures consist of personnel costs, entrance fees, and transportation costs.

Bookstore Fund – This fund was established to account for activity of the high school bookstores.

Food Service Fund – This fund is used to account for the revenue and expenditures of the school lunch program. Revenues consist of sales of food and federal and state government subsidies.

Debt Service Funds are used to account for the accumulation of resources for payment of principal and interest on long-term debt.

1999 Debt Service – This fund accounts for payments on the 1999 Refunding Bonds issued as a partial refunding of the 1993 and 1996 Bonds.

2002 Debt Service – This fund accounts for payments on the 2002 General Obligation Building and Site Bonds issued for construction, re-equipping, and renovations at all buildings.

2008 Debt Service – This fund accounts for payments on the 2008 General Obligation Building and Site Bonds issued for construction, re-equipping, and renovations at all buildings.

Capital Projects Funds are used to account for construction projects of the District.

Building and Site Sinking Fund – This fund accounts for general school improvements. Financing is provided by a property tax levy.

PORTAGE PUBLIC SCHOOLS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds		
	Athletics	Bookstore	Food Service
ASSETS			
Assets			
Cash and cash equivalents	$ 7,416	$ -	$ 67,054
Investments	-	-	442,770
Accounts receivable	89	-	165,191
Taxes receivable	-	-	-
Due from other governments	-	-	40,344
Due from other funds	115,680	-	4,864
Inventory	-	-	20,369
Prepaids	-	-	6,248
Notes receivable	-	-	-
TOTAL ASSETS	$ 123,185	$ -	$ 746,840
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 1,870	$ -	$ 19,004
Salaries and withholdings payable	26,961	-	2,840
Accrued liabilities	9,398	-	692
Deferred revenue	4,364	-	30,909
Total liabilities	42,593	-	53,445
Fund Balances			
Reserved for inventory	-	-	20,369
Reserved for prepaids	-	-	6,248
Unreserved:			
Designated for site ownership of athletics revenue	80,592	-	-
Undesignated	-	-	666,778
Total fund balances	80,592	-	693,395
TOTAL LIABILITIES AND FUND BALANCES	$ 123,185	$ -	$ 746,840

Debt Service Funds			Capital Projects	Total
1999 Debt Service	2002 Debt Service	2008 Debt Service	Building and Site Sinking Fund	Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 74,470
1,768,172	948,948	229	1,492,068	4,652,187
8,413	4,694	-	4,808	183,195
12,992	5,000	-	4,108	22,100
-	-	-	-	40,344
-	-	-	-	120,544
-	-	-	-	20,369
-	-	-	-	6,248
-	-	-	4,020	4,020
$ 1,789,577	$ 958,642	$ 229	$ 1,505,004	$ 5,123,477
$ -	$ -	$ -	$ 251,976	$ 272,850
-	-	-	-	29,801
-	-	-	-	10,090
3,854	2,284	-	5,431	46,842
3,854	2,284	-	257,407	359,583
-	-	-	-	20,369
-	-	-	-	6,248
-	-	-	-	80,592
1,785,723	956,358	229	1,247,597	4,656,685
1,785,723	956,358	229	1,247,597	4,763,894
$ 1,789,577	$ 958,642	$ 229	$ 1,505,004	$ 5,123,477

PORTAGE PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds		
	Athletics	Bookstore	Food Service
Revenues			
Local sources	$ 325,815	$ 24,316	$ 1,751,920
State sources	-	-	90,046
Federal sources	-	-	834,729
Total revenues	325,815	24,316	2,676,695
Expenditures			
Current:			
Athletics	1,436,123	-	-
Bookstore	-	24,316	-
Food service	-	-	2,472,933
Debt service:			
Principal	-	-	7,137
Interest	-	-	334
Other	-	-	-
Capital outlay	-	-	-
Total expenditures	1,436,123	24,316	2,480,404
Revenues over (under) expenditures	(1,110,308)	-	196,291
Other financing sources (uses)			
Transfers in	1,110,223	-	-
Transfers out	-	-	(195,843)
Total other financing sources (uses)	1,110,223	-	(195,843)
Net change in fund balances	(85)	-	448
Fund balances, beginning of year	80,677	-	692,947
Fund balances, end of year	$ 80,592	$ -	$ 693,395

Debt Service Funds			Capital Projects	Total
1999 Debt Service	2002 Debt Service	2008 Debt Service	Building and Site Sinking Fund	Nonmajor Governmental Funds
$ 4,155,198	$ 1,075,345	$ 229	$ 1,201,864	$ 8,534,687
-	-	-	-	90,046
-	-	-	-	834,729
4,155,198	1,075,345	229	1,201,864	9,459,462
-	-	-	-	1,436,123
-	-	-	-	24,316
-	-	-	-	2,472,933
2,430,000	850,000	-	-	3,287,137
984,170	331,380	-	-	1,315,884
4,134	4,084	-	3,265	11,483
-	-	-	969,627	969,627
3,418,304	1,185,464	-	972,892	9,517,503
736,894	(110,119)	229	228,972	(58,041)
-	-	-	-	1,110,223
-	-	-	-	(195,843)
-	-	-	-	914,380
736,894	(110,119)	229	228,972	856,339
1,048,829	1,066,477	-	1,018,625	3,907,555
$ 1,785,723	$ 956,358	$ 229	$ 1,247,597	$ 4,763,894

PORTAGE PUBLIC SCHOOLS

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Nonmajor Special Revenue Funds For the Year Ended June 30, 2008

	Athletics		
	Budget	Actual	Over (Under) Budget
Revenues			
Local sources	$ 324,627	$ 325,815	$ 1,188
State sources	-	-	-
Federal sources	-	-	-
Total revenues	324,627	325,815	1,188
Expenditures			
Current:			
Athletics	1,454,278	1,436,123	(18,155)
Bookstore	-	-	-
Food service	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,454,278	1,436,123	(18,155)
Revenues over (under) expenditures	(1,129,651)	(1,110,308)	19,343
Other financing sources (uses)			
Transfers in	1,100,891	1,110,223	9,332
Transfers out	-	-	-
Total other financing sources (uses)	1,100,891	1,110,223	9,332
Net change in fund balances	(28,760)	(85)	28,675
Fund balances, beginning of year	80,677	80,677	-
Fund balances, end of year	$ 51,917	$ 80,592	$ 28,675

Bookstore			Food Service		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
$ 27,000	$ 24,316	$ (2,684)	$ 1,810,554	$ 1,751,920	$ (58,634)
-	-	-	101,959	90,046	(11,913)
-	-	-	815,772	834,729	18,957
27,000	24,316	(2,684)	2,728,285	2,676,695	(51,590)
-	-	-	-	-	-
27,000	24,316	(2,684)	-	-	-
-	-	-	2,496,815	2,472,933	(23,882)
-	-	-	7,000	7,137	137
-	-	-	1,000	334	(666)
27,000	24,316	(2,684)	2,504,815	2,480,404	(24,411)
-	-	-	223,470	196,291	(27,179)
-	-	-	-	-	-
-	-	-	(200,000)	(195,843)	4,157
-	-	-	(200,000)	(195,843)	4,157
-	-	-	23,470	448	(23,022)
-	-	-	692,947	692,947	-
$ -	$ -	$ -	$ 716,417	$ 693,395	$ (23,022)

PORTAGE PUBLIC SCHOOLS
Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash and cash equivalents	$ 118,217	$ 1,534,045	$ 1,591,019	$ 61,243
Investments	603,355	113,935	42,290	675,000
Total assets	$ 721,572	$ 1,647,980	$ 1,633,309	$ 736,243
Liabilities				
Due to student groups	$ 721,572	$ 1,647,980	$ 1,633,309	$ 736,243

PORTAGE PUBLIC SCHOOLS

Schedule of Capital Assets Used in the Operation of Governmental Activities

June 30, 2008

Building/Location	Land	Land Improvements	Buildings and Improvements	Equipment
Amberly Elementary	$ 19,600	$ 317,706	$ 2,303,674	$ 397,516
Angling Road Elementary	23,600	162,807	2,606,124	390,931
Central Elementary [1]	99,823	196,231	2,874,573	343,695
Haverhill Elementary	34,032	172,670	2,002,685	330,690
Lake Center Elementary	89,435	234,977	992,394	336,042
Moorsbridge Elementary	-	233,933	6,174,147	435,604
Waylee Elementary	16,000	150,335	1,623,594	314,107
Woodland Elementary	54,670	120,681	3,182,359	364,912
12th Street Elementary	41,450	-	-	2,975
Central Middle School	-	146,566	4,712,654	793,026
North Middle School	-	261,375	3,985,153	874,076
West Middle School [2]	198,000	427,425	7,254,148	911,737
Central High School [3]	80,300	958,184	8,756,336	2,020,810
Northern High School [4]	62,400	556,367	11,122,601	2,305,513
Community Education Center	-	163,050	1,312,088	223,865
Administration Building	-	115,929	758,237	3,757,382
Transportation	-	44,660	126,330	24,367
Maintenance & Operations	-	-	328,228	246,058
South Westnedge	20,000	-	-	-
Total capital assets	$ 739,310	$ 4,262,896	$ 60,115,325	$ 14,073,306

[1] Land includes McCamley Field

[2] Land includes Moorsbridge Elementary

[3] Land includes Central Middle School, Administration, Maintenance and Operations, and Transportation

[4] Land includes North Middle School and Community Education Center

Vehicles	Construction in Progress	Assets not Yet Placed in Service	Total
$ -	$ -	$ -	$ 3,038,496
-	-	-	3,183,462
-	-	-	3,514,322
-	-	-	2,540,077
-	362,885	-	2,015,733
-	-	-	6,843,684
-	31,847	-	2,135,883
-	245,380	-	3,968,002
-	1,160,720	-	1,205,145
-	-	-	5,652,246
-	-	-	5,120,604
-	-	-	8,791,310
-	613,337	-	12,428,967
-	813,394	-	14,860,275
-	-	-	1,699,003
	48,123	16,475	4,696,146
4,788,474	-	-	4,983,831
5,795	54,907	-	634,988
-	-	-	20,000
$ 4,794,269	$ 3,330,593	$ 16,475	$ 87,332,174

PORTAGE PUBLIC SCHOOLS
Schedule of Bonded Indebtedness
June 30, 2008

Year Ending June 30,	1999 Debt Principal	2002 Debt Principal	2008 Debt Principal
2009	$ 2,535,000	$ 600,000	$ 900,000
2010	2,510,000	890,000	1,445,000
2011	2,570,000	1,100,000	1,550,000
2012	2,635,000	1,325,000	1,550,000
2013	2,695,000	1,585,000	1,550,000
2014	2,750,000	1,870,000	1,550,000
2015	720,000	-	5,250,000
2016	780,000	-	5,260,000
2017	840,000	-	5,500,000
2018	905,000	-	5,960,000
2019	985,000	-	6,160,000
2020	-	-	6,300,000
2021	-	-	6,300,000
2022	-	-	6,300,000
2023	-	-	6,300,000
2024	-	-	6,300,000
2025	-	-	6,300,000
2026	-	-	6,300,000
2027	-	-	6,300,000
2028	-	-	6,300,000
2029	-	-	6,300,000
2030	-	-	6,300,000
2031	-	-	6,300,000
	$ 19,925,000	$ 7,370,000	$ 112,275,000
Principal payments due	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rates	3.10%-5.00%	2.0%-5.0%	3.25%-5.25%
Original issue	$ 24,170,000	$ 11,885,000	$ 112,275,000

PORTAGE PUBLIC SCHOOLS
Schedule of Deposits and Investments
June 30, 2008

General Fund			
Checking Accounts:			
Flagstar Bank	$ 105,858		
Accident Fund Insurance Company of America	11,073		
Total Checking and Savings Accounts		$ 116,931	
Investments:			
Flagstar Bank Savings	275,952		
JPMorgan Chase Bank Savings	6,007		
Citizens Bank Certificate of Deposit	2,600,000		
JPMorgan Chase Bank Certificates of Deposit	2,000,000		
Irwin Union Bank Certificates of Deposit	1,200,000		
Total Investments		6,081,959	
Total General Fund			$ 6,198,890
Special Revenue Funds			
Food Service Fund:			
Checking Accounts:			
Flagstar Bank		66,794	
Investments:			
Flagstar Bank Savings	142,770		
Citizens Bank Certificate of Deposit	300,000		
Athletic Fund:		442,770	
Checking and Savings Accounts:			
Flagstar Bank		7,416	
Total Special Revenue Funds			516,980
Debt Service Funds			
Checking and Savings Accounts:			
Flagstar Bank		162,349	
Investments:			
Huntington Bank Certificate of Deposit		2,555,000	
Total Debt Service Funds			2,717,349
Capital Projects Funds			
Checking and Savings Accounts:			
Flagstar Bank		92,112	
Investments:			
Citizens Bank Certificate of Deposit	400,000		
Huntington Bank Certificate of Deposit	1,000,000		
U.S. Government Securities and Commercial Paper	115,718,592		
		117,118,592	
Total Capital Projects Fund			117,210,704
Agency Fund			
Checking and Savings Accounts:			
Flagstar Bank		61,243	
Investments:			
Citizens Bank Certificate of Deposit	425,000		
Comerica Bank Certificate of Deposit	250,000		
		675,000	
Total Agency Fund			736,243
Total All Funds			$ 127,380,166

STATISTICAL SECTION
(Unaudited)

Statistical Section

This part of the Portage Public Schools comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School District's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the School District's operations and resources to help the reader understand how the School District's financial information relates to the services the School District provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The School District implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

Financial Trends

PORTAGE PUBLIC SCHOOLS
Net Assets by Component (Unaudited)
Last Six Fiscal Years*

	2003	2004	2005	2006	2007	2008
Governmental Activities:						
Invested in capital assets, net of related debt	$ 338,219	$ 3,673,429	$ 7,631,831	$ 9,565,750	$ 11,520,540	$ 13,507,693
Restricted:						
Debt service	104,630	867,988	729,776	1,106,179	1,855,247	625,548
Building and Site Sinking Fund	880,421	748,281	597,264	922,692	1,018,625	1,247,597
Total Restricted	985,051	1,616,269	1,327,040	2,028,871	2,873,872	1,873,145
Unrestricted	6,492,941	6,509,585	6,273,911	7,172,352	7,176,544	6,743,508
Total Primary Government Net Assets	$ 7,816,211	$ 11,799,283	$ 15,232,782	$ 18,766,973	$ 21,570,956	$ 22,124,346

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS
Changes in Governmental Net Assets (Unaudited)
Last Six Fiscal Years*

	2003	2004	2005	2006	2007	2008
Expenses						
Governmental Activities:						
Instruction	$ 40,668,552	$ 40,969,953	$ 41,626,329	$ 44,442,474	$ 46,553,501	$ 46,342,039
Supporting Services	26,074,708	24,947,520	25,875,805	26,612,890	27,926,063	27,863,162
Community Service	1,669,402	1,658,295	1,770,866	1,904,238	2,101,376	2,056,555
Athletics	1,366,536	1,464,972	1,440,323	1,425,479	1,506,012	1,552,896
Bookstore	33,410	44,239	42,578	35,810	33,048	24,316
Food Service	1,855,166	2,011,293	2,196,763	2,348,868	2,420,686	2,499,185
Interest on long-term debt	1,926,207	2,312,053	2,154,940	2,104,053	1,979,060	3,117,805
Unallocated depreciation	970,826	814,932	786,977	941,422	833,760	911,640
Total goverrnmental activities	74,564,807	74,223,257	75,894,581	79,815,234	83,353,506	84,367,598
Program Revenues:						
Charges for Services:						
Instruction	588,350	537,325	570,716	580,144	197,849	212,307
Supporting services	102,636	83,517	298,253	302,542	252,291	287,850
Community Services	1,614,123	1,730,950	1,976,416	2,099,323	2,186,748	2,317,721
Athletics	199,065	238,133	251,420	249,098	224,011	255,785
Bookstore	33,410	44,239	42,578	35,810	33,048	24,316
Food Service	1,344,389	1,484,842	1,605,025	1,701,529	1,772,720	1,716,392
Operating grants and contributions	3,347,229	3,179,395	3,701,677	4,353,808	4,627,582	4,574,919
Capital grants and contributions	-	-	-	43,970	-	127,714
Total program revenue	7,229,202	7,298,401	8,446,085	9,366,224	9,294,249	9,517,004
Net (expense) revenue	(67,335,605)	(66,924,856)	(67,448,496)	(70,449,010)	(74,059,257)	(74,850,594)
General Revenues:						
Property taxes, levied for general operations	16,760,928	18,394,834	19,050,637	22,820,905	23,903,719	24,541,929
Property taxes, levied for debt service and capital projects funds	6,357,534	6,697,231	7,215,978	5,532,648	5,956,404	6,161,112
Unrestricted state aid	46,109,748	45,222,735	44,241,772	45,061,693	45,104,656	44,860,304
Grants and contributions not restricted to specific programs	33,997	29,689	35,492	81,114	106,894	137,003
Unrestricted investment earnings (loss)	367,620	227,189	345,963	524,186	731,481	1,264,062
Change in fair market value of securities	-	-	-	-	-	(1,560,426)
Gain (loss) on sale of capital assets	-	7,088	(7,847)	-	1,060,086	-
Total general revenues	69,629,827	70,578,766	70,881,995	74,020,546	76,863,240	75,403,984
Change in net assets	$ 2,294,222	$ 3,653,910	$ 3,433,499	$ 3,571,536	$ 2,803,983	$ 553,390

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS
Fund Balances
All Governmental Fund Types (Unaudited)
Last Ten Fiscal Years

	1999	2000	2001	2002	2003
General Fund:					
Reserved for:					
Inventory	$ 159,542	$ 174,736	$ 140,088	$ 69,626	$ 65,114
Prepaids	221,193	163,890	244,827	129,503	140,602
Unreserved:					
Designated for:					
Durant settlement-future programs	1,681,958	1,365,285	1,341,957	1,045,182	760,383
Site-based building expenditures	164,769	200,673	180,397	166,719	146,075
West Middle School HVAC System	-	-	-	-	-
Elementary School Playground Equipment	-	-	-	-	-
Subsequent year's budget	-	-	-	-	-
Undesignated	4,610,171	5,470,786	4,782,682	4,982,146	5,073,538
Total general fund	$ 6,837,633	$ 7,375,370	$ 6,689,951	$ 6,393,176	$ 6,185,712
All Other Governmental Funds:					
Reserved for:					
Inventory	$ 63,534	$ 47,730	$ 49,995	$ 11,400	$ 24,222
Prepaids	-	-	-	11,511	-
Encumbrances	403,441	-	-	-	-
Unreserved:					
Designated for:					
Special Revenue Funds:					
Site Ownership of Athletics Revenue	99,028	123,903	138,369	163,094	108,255
Subsequent year's budget	-	-	-	-	-
Capital Projects Fund-capital projects	-	375,000	750,000	-	-
Undesignated, reported in:					
Special revenue funds	143,583	215,280	322,518	356,955	435,690
Capital projects funds	3,870,682	156,892	247,724	2,945,418	10,162,445
Debt service funds	825,946	1,041,073	1,254,000	1,267,321	540,378
Total all other governmental funds	$ 5,406,214	$ 1,959,878	$ 2,762,606	$ 4,755,699	$ 11,270,990
Total all funds	$ 12,243,847	$ 9,335,248	$ 9,452,557	$ 11,148,875	$ 17,456,702

Source: Portage Public Schools Audit Reports

2004	2005	2006	2007	2008
$ 54,815	$ 29,867	$ 320,392	$ 38,918	$ 29,659
125,931	118,103	158,471	184,577	199,696
155,055	1,040,847	1,069,907	-	-
151,056	143,545	154,796	148,152	166,285
-	-	745,759	-	-
-	-	-	442,325	-
914,852	-	-	310,043	82,277
5,127,265	5,306,189	5,150,965	5,937,531	6,300,429
$ 6,528,974	$ 6,638,551	$ 7,600,290	$ 7,061,546	$ 6,778,346
$ 25,947	$ 30,590	$ 25,442	$ 26,811	$ 20,369
-	-	-	-	6,248
-	-	-	-	-
128,937	103,469	82,822	80,677	80,592
21,947	-	-	-	-
-	-	-	-	-
457,156	447,441	505,804	666,136	666,778
5,655,494	1,196,161	308,624	1,018,625	116,105,838
867,988	1,133,652	1,504,709	2,115,306	2,742,310
$ 7,157,469	$ 2,911,313	$ 2,427,401	$ 3,907,555	$ 119,622,135
$ 13,686,443	$ 9,549,864	$ 10,027,691	$ 10,969,101	$ 126,400,481

PORTAGE PUBLIC SCHOOLS
Changes in Fund Balances
All Governmental Fund Types (Unaudited)
Last Ten Fiscal Years

	1999	2000	2001	2002	2003
Revenue:					
Local revenue	$ 22,294,396	$ 23,436,738	$ 23,789,348	$ 27,675,919	$ 27,461,001
State revenue	38,449,638	39,624,171	42,624,056	46,387,146	48,148,004
Federal revenue	1,391,043	1,392,423	1,311,392	1,339,718	1,178,530
Total revenue	62,135,077	64,453,332	67,724,796	75,402,783	76,787,535
Expenditures					
Current:					
Instruction	33,384,697	34,227,942	36,408,555	40,609,738	40,226,031
Supporting services	19,998,625	20,240,596	22,122,976	24,711,730	24,850,809
Community Service	1,334,333	1,403,461	1,529,371	1,442,934	1,671,183
Athletics	1,048,885	1,027,145	1,171,196	1,269,174	1,359,543
Bookstore	20,715	21,265	21,879	31,527	33,410
Food Service	1,449,948	1,617,984	1,648,316	1,833,498	1,855,888
Debt Service:					
Principal	1,541,957	2,056,319	2,233,520	2,483,053	4,819,303
Interest	1,369,119	1,576,105	1,512,114	1,494,640	1,773,482
Bond issuance costs	-	-	-	-	-
Other	4,208	2,359	4,599	6,741	5,849
Capital Outlay-Facilities Acquisition/Construction	7,584,235	5,211,578	1,494,314	5,046,581	5,909,841
Total expenditures	67,736,722	67,384,754	68,146,840	78,929,616	82,505,339
Excess of Revenue Over (Under) Expenditures	(5,601,645)	(2,931,422)	(422,044)	(3,526,833)	(5,717,804)
Other Financing Sources (Uses):					
Issuance of long-term debt	573,374	-	523,391	5,223,718	12,289,037
Premium on the issuance of long-term debt	-	-	-	-	23,393
Proceeds from advance refunding of debt	24,170,000	-	-	-	-
Payment to refunded bond escrow agent	(24,610,000)	-	-	-	-
Proceeds from the sale of capital assets	2,191	22,823	15,962	26,738	36,206
Transfers in	936,629	950,647	1,021,976	1,140,925	4,706,872
Transfers out	(936,629)	(950,647)	(1,021,976)	(1,140,925)	(4,706,872)
Total other financing sources (uses)	135,565	22,823	539,353	5,250,456	12,348,636
Net change in fund balances	(5,466,080)	(2,908,599)	117,309	1,723,623	6,630,832
Fund Balances-beginning of year	17,709,927	12,243,847	9,335,248	9,452,557	11,148,875
Prior period adjustment	-	-	-	(27,305)	(323,005)
Fund Balances, beginning of year, restated	17,709,927	12,243,847	9,335,248	9,425,252	10,825,870
Fund Balances-End of year	$ 12,243,847	$ 9,335,248	$ 9,452,557	$ 11,148,875	$ 17,456,702
Debt service as a percentage of noncapital expenditures	5.09%	6.21%	5.58%	5.42%	8.61%

Source: Portage Public Schools Audit Reports

2004	2005	2006	2007	2008
$ 29,545,576	$ 31,597,814	$ 34,496,207	$ 36,019,398	$ 36,060,039
46,957,989	46,120,834	46,787,647	46,999,617	46,762,996
1,374,361	1,714,248	2,037,954	2,074,683	2,076,938
77,877,926	79,432,896	83,321,808	85,093,698	84,899,973
40,572,153	41,251,848	43,868,227	45,616,748	45,710,135
24,475,794	24,948,939	27,093,544	28,920,439	27,715,218
1,705,664	1,769,309	1,892,476	2,089,024	2,029,033
1,364,108	1,357,237	1,401,534	1,379,004	1,436,123
44,239	42,578	35,810	33,048	24,316
2,069,951	2,295,092	2,368,429	2,411,378	2,472,933
3,724,687	3,961,696	2,544,317	2,790,856	3,662,462
2,338,092	2,168,927	2,107,826	2,101,179	1,356,633
-	-	-	-	1,047,229
8,735	10,963	1,764	4,097	11,483
5,792,968	5,840,356	1,955,403	459,820	4,555,005
82,096,391	83,646,945	83,269,330	85,805,593	90,020,570
(4,218,465)	(4,214,049)	52,478	(711,895)	(5,120,597)
409,296	66,410	386,987	423,154	112,437,184
-	-	-	-	8,109,940
-	-	-	-	-
-	-	-	-	-
38,910	11,060	38,362	1,267,496	4,853
2,847,882	2,830,601	1,182,389	1,243,597	1,306,066
(2,847,882)	(2,830,601)	(1,182,389)	(1,243,597)	(1,306,066)
448,206	77,470	425,349	1,690,650	120,551,977
(3,770,259)	(4,136,579)	477,827	978,755	115,431,380
17,456,702	13,686,443	9,549,864	10,027,691	10,969,101
-	-	-	(37,345)	-
17,456,702	13,686,443	9,549,864	9,990,346	10,969,101
$ 13,686,443	$ 9,549,864	$ 10,027,691	$ 10,969,101	$ 126,400,481
8.03%	7.48%	5.72%	5.88%	7.23%

PORTAGE PUBLIC SCHOOLS
Summary of Government-wide Expenses by Function (Unaudited)
Last Six Fiscal Years*

	2003	2004	2005	2006	2007	2008
Instruction	$ 40,668,552	$ 40,969,953	$ 41,626,329	$ 44,442,474	$ 46,553,501	$ 46,342,039
Supporting Services	26,074,708	24,947,520	25,875,805	26,612,890	27,926,063	27,863,162
Community Service	1,669,402	1,658,295	1,770,866	1,904,238	2,101,376	2,056,555
Athletics	1,366,536	1,464,972	1,440,323	1,425,479	1,506,012	1,552,896
Bookstore	33,410	44,239	42,578	35,810	33,048	24,316
Food Service	1,855,166	2,072,293	2,196,763	2,348,868	2,420,686	2,499,185
Interest on long-term debt	1,926,207	2,312,053	2,154,940	2,104,053	1,979,060	3,117,805
Unallocated depreciation	970,826	814,932	786,977	941,422	833,760	911,640
Total	$ 74,564,807	$ 74,284,257	$ 75,894,581	$ 79,815,234	$ 83,353,506	$ 84,367,598

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS
Summary of Government-wide Revenues (Unaudited)
Last Six Fiscal Years*

Revenue	2003	2004	2005	2006	2007	2008
Charges for services:						
Instruction	$ 588,350	$ 537,325	$ 570,716	$ 580,144	$ 197,849	$ 212,307
Supporting services	102,636	83,517	298,253	302,542	252,291	287,850
Community Services	1,614,123	1,730,950	1,976,416	2,099,323	2,186,748	2,317,721
Athletics	199,065	238,133	251,420	249,098	224,011	255,785
Bookstore	33,410	44,239	42,578	35,810	33,048	24,316
Food Service	1,344,389	1,484,842	1,605,025	1,701,529	1,772,720	1,716,392
Total charges for services	3,881,973	4,119,006	4,744,408	4,968,446	4,666,667	4,814,371
Operating grants/contributions:						
Instruction	2,182,435	1,766,475	2,050,007	2,188,509	2,464,528	2,413,619
Supporting services	476,784	685,115	838,586	1,160,687	1,088,642	1,021,836
Community service	26,746	2,513	-	-	-	-
Athletics	-	-	-	65,556	5,261	5,067
Food service	608,401	697,361	749,306	797,131	855,623	924,773
Interest on long-term debt	52,863	27,931	63,778	141,925	213,528	209,624
Total operating grants/contributions	3,347,229	3,179,395	3,701,677	4,353,808	4,627,582	4,574,919
Capital grants/contributions:						
Instruction	-	-	-	-	-	2,644
Supporting services	-	-	-	-	-	36,813
Community service	-	-	-	-	-	1,191
Athletics	-	-	-	43,970	-	87,066
Total capital grants/contributions	-	-	-	43,970	-	127,714
General revenue:						
Property taxes	23,118,462	25,092,065	26,266,615	28,353,553	29,860,123	30,703,041
Unrestricted state aid	46,109,748	45,222,735	44,241,772	45,061,693	45,104,656	44,860,304
Grants and contributions not restricted to specific programs	33,997	90,689	35,492	81,114	106,894	137,003
Unrestricted investment earnings (loss)	367,620	227,189	345,963	524,186	731,481	1,264,062
Change in fair value of securities	-	-	-	-	-	(1,560,426)
Gain (loss) on sale of capital assets	-	7,088	(7,847)	-	1,060,086	-
Total general revenue	69,629,827	70,639,766	70,881,995	74,020,546	76,863,240	75,403,984
Total revenues	**$ 76,859,029**	**$ 77,938,167**	**$ 79,328,080**	**$ 83,386,770**	**$ 86,157,489**	**$ 84,920,988**

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS
Summary of Expenditures by Function-All Governmental Fund Types (Unaudited)
Last Ten Fiscal Years

	1999	2000	2001	2002	2003
Instruction	$ 33,384,697	$ 34,227,942	$ 36,408,555	$ 40,609,738	$ 40,226,031
Supporting Services	19,998,624	20,240,596	22,122,976	24,718,471	24,850,809
Community Service	1,334,333	1,403,461	1,529,371	1,442,934	1,671,183
Athletics	1,048,885	1,027,145	1,171,196	1,269,174	1,359,543
Bookstore	20,715	21,265	21,879	31,527	33,410
Food Service	1,449,948	1,617,984	1,648,316	1,833,498	1,855,888
Capital Outlay	7,584,235	5,211,578	1,494,314	5,046,581	5,909,841
Debt Service	2,915,284	3,634,783	3,750,233	3,977,693	6,598,634
Total	$ 67,736,721	$ 67,384,754	$ 68,146,840	$ 78,929,616	$ 82,505,339

Source: Portage Public Schools Audit Reports

2004	2005	2006	2007	2008
$ 40,572,153	$ 41,251,848	$ 43,868,227	$ 45,616,748	$ 45,710,135
24,475,794	24,948,939	27,093,544	28,920,439	27,715,218
1,705,664	1,769,309	1,892,476	2,089,024	2,029,033
1,364,108	1,357,237	1,401,534	1,379,004	1,436,123
44,239	42,578	35,810	33,048	24,316
2,069,951	2,295,092	2,368,429	2,411,378	2,472,933
5,792,968	5,840,356	1,955,403	459,820	4,555,005
6,071,514	6,141,586	4,653,907	4,896,132	6,077,807
$ 82,096,391	$ 83,646,945	$ 83,269,330	$ 85,805,593	$ 90,020,570

PORTAGE PUBLIC SCHOOLS
Summary of Governmental Revenues and Other Financing Sources
All Governmental Fund Types* (Unaudited)
Last Ten Fiscal Years

	1999	2000	2001	2002	2003
General Fund:					
Property taxes	$ 12,073,938	$ 12,782,913	$ 12,664,803	$ 14,185,087	$ 13,663,933
Other local sources	2,041,006	2,378,529	2,561,367	2,529,133	2,599,791
Intermediate sources	2,509,177	2,543,081	2,696,973	2,970,269	2,958,804
State sources	38,362,180	39,570,177	42,529,314	46,306,443	48,056,797
Federal sources	979,892	937,401	876,971	855,695	661,336
Proceeds from issuance of debt	573,374	-	473,431	608,718	404,037
Other financing sources	-	-	-	-	-
Total General Fund	56,539,567	58,212,101	61,802,859	67,455,345	68,344,698
Special Revenue Funds:					
Local	1,269,185	1,371,206	1,455,894	1,527,920	1,580,646
State	87,458	53,994	94,742	80,703	91,207
Federal	411,151	455,022	434,421	484,023	517,194
Incoming Transfers	936,629	950,647	1,021,976	1,089,425	1,105,639
Proceeds from the sale of capital assets	-	-	-	-	-
Proceeds from issuance of debt	-	-	49,960	-	-
Total Special Revenue Funds	2,704,423	2,830,869	3,056,993	3,182,071	3,294,686
Debt Retirement Funds:					
Property taxes	3,145,780	3,313,949	3,378,531	3,677,449	3,733,182
Interest and other	192,512	214,487	248,238	163,242	105,781
Proceeds of bond refunding	24,170,000	-	-	-	-
Incoming transfers	-	-	-	51,500	1,576,050
Total Debt Retirement Funds	27,508,292	3,528,436	3,626,769	3,892,191	5,415,013
Capital Projects Fund-Building and Site Sinking Fund:					
Property Taxes	680,919	717,319	731,298	2,507,347	2,545,347
Other Local Sources	48,666	52,855	68,206	98,558	91,791
Total Capital Projects Fund	729,585	770,174	799,504	2,605,905	2,637,138
Capital Projects Funds-Construction Funds:					
Issuance of long-term debt	-	-	-	4,615,000	11,885,000
Premium on the issuance of long-term debt	-	-	-	-	-
Interest earnings	335,404	85,222	-	43,652	205,119
Change in fair value of securities	-	-	-	-	-
Incoming transfers	-	-	-	-	2,025,183
Total Construction Fund	335,404	85,222	-	4,658,652	14,115,302
Total Revenues and Other Financing Sources	$ 87,817,271	$ 65,426,802	$ 69,286,125	$ 81,794,164	$ 93,806,837

Source: Portage Public Schools Audit Reports

[1]Reduction in property tax revenue due to levying only .5 mills in 2006, 2007, and 2008.

[2]Increase in other financing sources due to proceeds from sale of Centre Street Property.

2004	2005	2006	2007	2008
$ 14,801,189	$ 15,874,318	$ 16,628,194	$ 17,611,160	$ 18,075,701
2,631,059	3,312,466	3,871,522	3,827,342	3,821,484
3,197,519	3,102,212	6,236,225	6,266,629	6,522,259
46,852,696	46,016,677	46,676,102	46,879,550	46,672,950
782,294	1,069,101	1,352,371	1,339,127	1,242,209
409,296	66,410	386,987	423,154	162,184
99,910	95,494	129,736	1,362,916	200,696
68,773,963	69,536,678	75,281,137	77,709,878	76,697,483
1,769,902	1,905,663	2,049,932	2,082,997	2,102,051
105,294	104,157	111,545	120,067	90,046
592,066	645,147	685,583	735,556	834,729
1,146,657	1,080,349	1,090,789	1,147,587	1,110,223
-	2,150	226	590	-
-	-	-	-	-
3,613,919	3,737,466	3,938,075	4,086,797	4,137,049
3,982,140	4,234,508	4,466,660	4,730,022	4,941,124
235,030	119,865	175,614	330,923	289,648
-	-	-	-	-
1,640,225	1,663,668	-	-	-
5,857,395	6,018,041	4,642,274	5,060,945	5,230,772
2,715,091	2,887,164	1,013,872 [1]	1,080,030 [1]	1,121,606 [1]
124,748	87,575	32,799	90,295	80,258
2,839,839	2,974,739	1,046,671	1,170,325	1,201,864
-	-	-	-	112,275,000
-	-	-	-	8,109,940
88,898	74,043	21,389	-	666,334
-	-	-	-	(1,560,426)
-	-	-	-	-
88,898	74,043	21,389	-	121,051,274
$ 81,174,014	$ 82,340,967	$ 84,929,546	$ 88,027,945	$ 208,318,442

Revenue Capacity

PORTAGE PUBLIC SCHOOLS
Assessed Taxable Value and Estimated Actual Value of Taxable Property (Unaudited)
Last Ten Fiscal Years

	Taxable Value by Property Type					
	Real Property					
Tax Year	Agricultural	Commercial	Industrial	Residential	Personal Property	Less Renaissance Zone
1998	$ 2,043,636	$ 216,173,403	$ 123,338,955	$ 804,583,807	$ 283,794,200	$ -
1999	1,972,881	231,004,159	133,767,669	841,503,451	297,481,800	-
2000	1,981,038	248,821,985	138,527,530	880,928,468	265,676,600	-
2001	2,100,367	267,237,010	154,377,812	932,962,390	321,903,800	-
2002	2,079,174	308,172,980	149,222,350	988,628,149	317,094,300	-
2003	2,159,945	318,044,215	126,994,494	1,043,586,564	325,444,100	-
2004	2,117,836	334,748,951	142,936,522	1,112,844,638	335,166,669	-
2005	2,097,171	355,812,512	155,862,579	1,181,599,820	335,728,789	(310,693)
2006	1,436,794	378,597,527	166,436,576	1,267,536,089	317,196,749	(2,138,466)
2007	1,529,842	400,324,716	173,455,643	1,335,947,900	320,369,600	(2,313,637)

Source: Kalamazoo County Equalization Department
Department of Treasury Form L-4025 from every municipality in the School District

Note: Under Michigan law, the revenue base is Taxable Value. Property is assessed at 50% of estimated market value.
Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Total Taxable Value	Taxable Valuation Homestead	Taxable Valuation Non-homestead	Taxable Valuation Total	Tax Rate (Mills) Homestead	Tax Rate (Mills) Non-homestead	Assessment Percentage	Market Value
$ 1,429,934,001	$ 756,622,242	$ 673,311,759	$ 1,429,934,001	2.6762	20.6762	50%	$ 2,859,868,002
1,505,729,960	791,131,472	714,598,488	1,505,729,960	2.6762	20.6762	50%	3,011,459,920
1,535,935,621	828,705,470	707,230,151	1,535,935,621	2.6762	20.6762	50%	3,071,871,242
1,678,581,379	897,718,369	780,863,010	1,678,581,379	3.7000	21.7000	50%	3,357,162,758
1,765,196,953	950,959,516	814,237,437	1,765,196,953	3.7000	21.7000	50%	3,530,393,906
1,816,229,318	982,292,577	833,936,741	1,816,229,318	3.7000	21.7000	50%	3,632,458,636
1,927,814,616	1,045,431,200	882,383,416	1,927,814,616	3.7000	21.7000	50%	3,855,629,232
2,030,790,178	1,108,777,387	922,012,791	2,030,790,178	2.7000	20.7000	50%	4,061,580,356
2,129,065,269	1,175,818,763	953,246,506	2,129,065,269	2.7000	20.7000	50%	4,258,130,538
2,229,314,064	1,236,919,473	992,394,591	2,229,314,064	2.7000	20.7000	50%	4,458,628,128

PORTAGE PUBLIC SCHOOLS
Summary of Property Tax Rates Levied on Property within the School District
Direct and Overlapping Governments
(Per $1,000 Assessed Value) (Unaudited)
Last Ten Fiscal Years

		Millage Rates - Direct School District Taxes					
		Operating				Total Direct Taxes	
Tax Year	Fiscal year ended June 30,	Homestead	Non-homestead[1]	Debt [2]	Sinking Fund [2]	Homestead	Non-homestead
1998	1999	-	18.0000	2.2000	0.4762	2.6762	20.6762
1999	2000	-	18.0000	2.2000	0.4762	2.6762	20.6762
2000	2001	-	18.0000	2.2000	0.4762	2.6762	20.6762
2001	2002	-	18.0000	2.2000	1.5000	3.7000	21.7000
2002	2003	-	18.0000	2.2000	1.5000	3.7000	21.7000
2003	2004	-	18.0000	2.2000	1.5000	3.7000	21.7000
2004	2005	-	18.0000	2.2000	1.5000	3.7000	21.7000
2005	2006	-	18.0000	2.2000	0.5000	2.7000	20.7000
2006	2007	-	18.0000	2.2000	0.5000	2.7000	20.7000
2007	2008	-	18.0000	2.2000	0.5000	2.7000	20.7000

[1] Millage limitation for school districts in the State of Michigan

[2] Debt and sinking fund millages apply to homestead and non-homestead property

[3] Includes 1.5 Regional Enhancement Millage which is allocated on a per pupil fte basis among the School Districts in Kalamazoo County.

Source: 1997-2006 Kalamazoo County Apportionment Reports

Overlapping Taxes

State Education	Kalamazoo County	City of Portage	City of Kalamazoo	Pavilion Township	Texas Township	Kalamazoo Regional Educational Service Agency	Kalamazoo Valley Community College	Kalamazoo District Library	Portage District Library
6.0000	6.1400	10.1770	21.1440	0.9012	0.9183	3.0500	2.8231	4.0000	1.4200
6.0000	6.1400	10.1000	21.5667	0.8925	0.9117	3.0416	2.8151	0.3958	1.3800
6.0000	6.1400	10.0000	21.5667	0.8831	0.9042	3.0416	2.8151	3.9583	1.4900
6.0000	6.1400	10.0000	21.5667	0.8791	0.9025	3.0416	2.8151	3.9583	1.4900
6.0000	6.1362	10.3017	21.9205	0.8741	0.8938	3.0416	2.8139	3.9583	1.4900
5.0000	6.1362	10.1442	21.9205	0.8635	0.8846	3.0416	2.8139	3.9583	1.4900
6.0000	6.1362	10.1442	22.1405	0.8551	0.8741	3.0416	2.8135	3.9583	1.4900
6.0000	6.1362	10.1442	22.1405	0.8516	0.8677	4.5416 [3]	2.8135	3.9583	1.4900
6.0000	6.1362	10.1442	21.9049	0.8516	0.8583	4.5416 [3]	2.8135	3.9583	1.4900
6.0000	6.3362	10.4892	21.8205	0.8516	0.8583	4.5416 [3]	2.8135	3.9583	1.4900

PORTAGE PUBLIC SCHOOLS
Summary of Property Tax Data (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	1999	2000	2001	2002	2003
Total Tax Levy	$ 15,900,637	$ 16,814,181	$ 16,774,632	$ 20,369,883	$20,037,076
Current Tax Collections:					
To March 1	15,636,716	16,220,537	16,365,507	19,865,461	19,610,142
To June 30	15,878,732	16,767,969	16,706,372	20,306,776	19,942,462
Percentages of Collections:					
Current to March 1	98.34%	96.47%	97.56%	97.52%	97.87%
Current to June 30	99.86%	99.73%	99.59%	99.69%	99.53%
Total Delinquent Property Taxes-Current Year	$ 263,921	$ 593,644	$ 409,125	$ 504,422	$ 426,934
Total Delinquent Property Taxes-All Years	$ 301,280	$ 634,264	$ 419,105	$ 474,516	$ 452,472
Total Delinquent Taxes-Current Year as a Percentage of Tax Levy	1.66%	3.53%	2.44%	2.48%	2.13%
Total Delinquent Taxes-All Years as a Percentage of Tax Levy	1.89%	3.77%	2.50%	2.33%	2.26%

Source: Portage Public Schools Audit Reports and accounting records

2004	2005	2006	2007	2008
$21,580,385	$23,060,966	$22,147,681	$23,512,228	$24,221,076
21,163,053	22,594,758	21,772,490	22,341,701	23,628,952
21,498,421	22,965,700	22,108,725	23,446,699	24,138,431
98.07%	97.98%	98.31%	95.02%	97.56%
99.62%	99.59%	99.82%	99.72%	99.66%
$ 417,332	$ 466,208	$ 38,955	$ 65,529	$ 82,645
$ 522,219	$ 626,189	$ 91,854	$ 106,829	$ 127,058
1.93%	2.02%	0.18%	0.28%	0.34%
2.42%	2.72%	0.41%	0.45%	0.52%

PORTAGE PUBLIC SCHOOLS
Principal Taxpayers (Unaudited)
Current Year and Nine Years Ago

Principal Taxpayers	Product/Service	2007 Taxable Value	Rank	Percentage of Total Advalorem	1998 Taxable Value	Rank	Percentage of Total Advalorem
Pfizer Inc.	Pharmaceuticals	$ 293,550,018	1	12.89%	$ 339,442,700	1	22.53%
Stryker Medical/Stryker Corporation	Medical Equipment	43,714,989	2	1.92%	16,985,900	5	1.13%
Connecticut General Life Insurance	Retail Mall	21,494,343	3	0.94%	28,567,700	2	1.90%
Consumers Energy Company	Utility	18,448,865	4	0.81%	18,249,800	4	1.21%
Meijer Inc.	Retail and Grocery	14,452,648	5	0.63%	5,419,900	10	0.36%
Edward Rose Associates Inc.	Apartments	11,965,394	6	0.53%	10,231,800	8	0.68%
Mann & Hummel Automotive Inc.	Injection Molded Plastics	10,118,711	7	0.44%	-		0.00%
Summit Polymers, Inc.	Injection Molded Plastics	7,962,431	8	0.35%	10,936,800	6	0.73%
Bowers Manufacturing	Aluminum Fabricating	7,818,897	9	0.34%	-		0.00%
Southland Mall	Retail Mall	7,655,030	10	0.34%	25,206,200	3	1.67%
Moors Invt/Woodbridge Dev.	Housing, Golf course	-		0.00%	10,296,600	7	0.68%
Target/Portage Properties	Retail-Strip Mall	-		0.00%	7,381,000	9	0.49%
Total		$ 437,181,326		19.20%	$ 472,718,400		31.38%

Source: City of Portage Assessor

PORTAGE PUBLIC SCHOOLS
Summary of State Aid Payments (Unaudited)
Last Ten Fiscal Years

Year Ended June 30,	Blended Pupil Count	Foundation Grant Allowance Per Pupil	Total Foundation Grant Allowance	Less 18 mills taxes collected on Non-homestead property	Total State-Aid Foundation Grant Payments
1999	8,865	$ 5,462	$ 48,420,630	$ 10,793,257	$ 37,627,373
2000	8,844	5,700	50,410,800	11,096,990	39,313,810
2001	8,874	6,000	53,244,000	10,756,318	42,487,682
2002	8,856	6,500	57,564,000	13,150,627	44,413,373
2003	8,978	6,640	59,613,920	13,736,224	45,877,696
2004	9,034	6,626	59,859,284	14,873,825	44,985,459
2005	8,962	6,700	60,045,400	15,873,559	44,171,841
2006	8,988	6,875	61,792,500	16,671,544	45,120,956
2007	8,814	7,085	62,447,190	17,715,620	44,731,570
2008	8,712	7,204	62,761,248	18,190,977	44,570,271

Sources: Michigan Department of Education State Aid Status Reports
Portage Public Schools internal accounting records

The School District can levy up to 18 mills on Non-homestead property for operations. Any adjustments in the taxable value result in corresponding adjustments in the amount of unrestricted state aid received.

Debt Capacity

PORTAGE PUBLIC SCHOOLS
Ratios of Outstanding Debt (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	General Obligation Bonds	Less Pledged Debt Retirement Fund Balance	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt	Taxable Value
1999	$ 36,297,950	$ 825,946	$ 35,472,004	$ 792,921	$ 36,264,925	$ 1,429,934,001
2000	34,428,950	1,041,073	33,387,877	605,602	33,993,479	1,505,729,960
2001	32,384,950	1,254,000	31,130,950	939,473	32,070,423	1,535,935,621
2002	34,765,950	1,267,321	33,498,629	1,292,001	34,790,630	1,678,581,379
2003	42,141,950	540,378	41,601,572	1,385,735	42,987,307	1,765,196,953
2004	38,802,238	867,989	37,934,249	1,410,056	39,344,305	1,816,229,318
2005	35,168,207	1,133,653	34,034,554	1,148,801	35,183,355	1,927,814,616
2006	32,962,623	1,504,707	31,457,916	1,197,055	32,654,971	2,048,844,271
2007	30,575,000	2,115,306	28,459,694	1,216,976	29,676,670	2,131,203,735
2008	139,570,000	2,742,310	136,827,690	998,704	137,826,394	2,231,627,701

[1] U.S. Department of Commerce, Bureau of the Census for 1998-2003;
Skanska USA Building Inc. Report for 2004-2008, adjusted for City of Portage Census updates for 2007 and 2008.

Source: Portage Public Schools Audit Reports

Percent of Net Bonded Debt to Taxable Value	Total Debt as a Percentage of Taxable Value	Estimated Population[1]	Net General Bonded Debt per Capita	Total General Obligation Debt per Capita	Debt Per Capita Income
2.48%	2.54%	50,000	$ 709	$ 725	$ 1,359
2.22%	2.26%	50,000	668	680	1,258
2.03%	2.09%	50,000	623	641	1,153
2.00%	2.07%	51,000	657	682	1,215
2.36%	2.44%	51,000	816	843	1,453
2.09%	2.17%	53,464	710	736	1,275
1.77%	1.83%	54,980	619	640	1,109
1.54%	1.59%	54,980	572	594	1,018
1.34%	1.39%	54,856	519	541	878
6.13%	6.18%	55,686	2,457	2,475	4,013

PORTAGE PUBLIC SCHOOLS
Schedule of Direct and Overlapping Debt (Unaudited)
June 30, 2008

Direct Debt

1999 Refunding Bonds (UTNQ)	$ 19,925,000
2002 School Building and Site Bonds (UTNQ)	7,370,000
2008 School Building and Site Bonds (UTNQ)	112,275,000
Total Direct Debt	139,570,000

Overlapping Debt

Municipality	Net Tax Supported Debt	School District Share Percent	School District Share Amount
City of Kalamazoo	$ 29,705,000	2.06%	$ 611,923
City of Portage	95,994,650	97.52%	93,613,983
Pavilion Township	915,560	13.47%	123,326
Texas Township	2,172,000	34.24%	743,693
Kalamazoo County	37,046,372	28.04%	10,387,803
Kalamazoo RESA	24,675,000	30.26%	7,466,655
Kalamazoo District Library	6,595,000	1.19%	78,481
Net Overlapping Debt			113,025,863
Total Direct and Net Overlapping Debt			$ 252,595,863

Ratios:

2007 State Equalized Valuation (SEV)	$ 2,476,438,650
2007 Taxable Value (includes Renaissance Zone Taxable Value)	$ 2,231,627,701
2007 True Cash Value (TCV)	$ 4,463,255,402
2007 Population Estimate	55,686
Net Direct Debt	$ 139,570,000
Net Direct and Overlapping Debt	$ 252,595,863
Per Capita 2007 Taxable Value	$ 40,075
Per Capita 2007 State Equalized Valuation	$ 44,471
Per Capita 2007 True Cash Value	$ 80,150
Per Capita Direct Debt	$ 2,506
Per Capita Direct and Overlapping Debt	$ 4,536
Percent Net Direct Debt of 2007 Taxable Value	6.25%
Percent Net Direct and Overlapping Debt of 2007 Taxable Value	11.32%
Percent Net Direct Debt of 2007 State Equalized Valuation	5.64%
Percent Net Direct and Overlapping Debt of 2007 State Equalized Valuation	10.20%
Percent Net Direct Debt of 2007 True Cash Value	3.13%
Percent Net Direct and Overlapping Debt of 2007 True Cash Value	5.66%

Source: Michigan Municipal Advisory Council provided overlapping debt amounts.

PORTAGE PUBLIC SCHOOLS
Computation of Legal Debt Margin (Unaudited)
Last Ten Fiscal Years

Year Ended June 30,	1999	2000	2001	2002
Calculation of Debt Limit:				
State Equalized Valuation (SEV) [1] - December 31	$ 1,512,619,850	$ 1,621,636,100	$ 1,675,125,650	$ 1,827,623,100
Statutory Bonding Limit - 15% [2]	226,892,978	243,245,415	251,268,848	274,143,465
Calculation of Debt subject to Limit:				
General Obligations Bonds Outstanding - June 30	36,297,950	34,428,950	32,384,950	34,765,950
Less Debt not subject to Limit [2] - State Qualified Bonds	(6,140,000)	(5,425,000)	(4,600,000)	(3,660,000)
Net Debt Subject to Limit	30,157,950	29,003,950	27,784,950	31,105,950
Legal Debt Margin	$ 196,735,028	$ 214,241,465	$ 223,483,898	$ 243,037,515
Net debt subject to limit as % of debt limit	13.29%	11.92%	11.06%	11.35%

Sources:

[1] Kalamazoo County Equalization Department-Annual Equalization Report
Portage Public Schools Audit Reports

[2] Public Act No. 451 of Michigan 1976, Sec. 1351 provides debt limits as follows: The bonded indebtedness of a school district shall not exceed 15 percent of all assessed valuation of the district. Bonds not included in the computation of the legal debt margin are:

1. Refunding bonds
2. Any bond qualified under Article IX, Sec. 16 of the 1963 Michigan Constitution
3. Deficit budget bonds as authorized by Sec. 1356

2003	2004	2005	2006	2007	2008
$ 1,973,460,750	$ 2,058,686,500	$ 2,179,642,478	$ 2,287,494,700	$ 2,391,695,678	$ 2,476,438,650
296,019,113	308,802,975	326,946,372	343,124,205	358,754,352	371,465,798
42,141,950	38,802,238	35,168,207	32,962,623	30,575,000	139,570,000
(3,080,000)	(2,460,000)	(1,740,000)	(900,000)	-	-
39,061,950	36,342,238	33,428,207	32,062,623	30,575,000	139,570,000
$ 256,957,163	$ 272,460,737	$ 293,518,165	$ 311,061,582	$ 328,179,352	$ 231,895,798
13.20%	11.77%	10.22%	9.34%	8.52%	37.57%

PORTAGE PUBLIC SCHOOLS
Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures (Unaudited)
Last Ten Fiscal Years

Year Ended June 30,	Principal	Interest and Paying Agent Fees	Total Debt Service	Total Expenditures	Ratio of Debt Service to Total Expenditures
1999	$ 1,454,000	$ 1,372,285	$ 2,826,285	$ 67,736,721	4.17%
2000	1,869,000	1,554,936	3,423,936	67,384,754	5.08%
2001	2,044,000	1,475,663	3,519,663	68,146,840	5.16%
2002	2,234,000	1,430,769	3,664,769	78,929,616	4.64%
2003	4,509,000	1,727,498	6,236,498	82,505,339	7.56%
2004	3,339,712	2,281,478	5,621,190	82,096,391	6.85%
2005	3,634,031	2,118,346	5,752,377	83,646,945	6.88%
2006	2,205,584	2,064,058	4,269,642	83,269,330	5.13%
2007	2,387,623	2,062,725	4,450,348	85,805,593	5.19%
2008	3,280,000	1,326,130	4,606,130	90,020,570	5.12%

Source: Portage Public Schools Audit Reports

Demographic and Economic Information

PORTAGE PUBLIC SCHOOLS
Demographic and Economic Data (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	Estimated Population[1]	Student FTE[2]	Personal Income (in thousands)	Per Capita Personal Income[3]	Unemployment Rate[4]
1999	50,000	8,800	$ 1,334,600	$ 26,692	2.5%
2000	50,000	8,869	1,351,200	27,024	2.6%
2001	50,000	8,886	1,390,600	27,812	3.0%
2002	51,000	8,865	1,460,130	28,630	4.1%
2003	51,000	9,003	1,508,937	29,587	4.7%
2004	53,464	9,035	1,649,899	30,860	5.5%
2005	54,980	8,961	1,743,911	31,719	5.7%
2006	54,980	9,000	1,764,253	32,089	5.1%
2007	54,856	8,786	1,853,255	33,784	5.2%
2008	55,686	8,711	1,912,369	34,342	5.2%

Sources:

[1]U.S. Bureau of the Census; 2004-2007 Skanska USA Building Report, adjusted for City of Portage Census updates in 2007 and 2008.

[2]DS-4061-A Fall Membership Count

[3] U.S. Department of Commerce, Bureau of Economic Analysis, BEAR Facts for Kalamazoo County, except for 2007 and 2008, which is the State estimate. Kalamazoo County has consistently been 98% of the State's per capita personal income amount.

[4] Michigan Department of Labor and Economic Growth-Annual Average Unemployment Rate for Kalamazoo County

PORTAGE PUBLIC SCHOOLS
Principal Employers
For the current year and nine prior years

Employer[1]	2007/2008 Employees	Ranking	Percentage of total employment	1998/1999 Employees	Ranking	Percentage of total employment
Borgess Health Alliance Inc.	4,642	1	4%	1,602	8	1%
Western Michigan University	4,045	2	3%	2,500	3	2%
Pfizer Corporation	4,000	3	3%	6,300	1	5%
Bronson Healthcare System	3,729	4	3%	2,293	4	2%
Kalamazoo Public Schools	2,200	5	2%	2,000	6	2%
Stryker Corporation	1,792	6	1%	1,389	9	1%
National City Bank	1,600	7	1%	3,130	2	3%
Meijer, Inc.	1,306	8	1%	2,000	5	2%
Summit Polymers Inc.	1,230	9	1%	1,000	-	1%
Portage Public Schools	1,229	10	1%	1,053	-	1%
General Motors Corp.	-	-	0%	1,800	7	1%
County of Kalamazoo	1,065	-	1%	1,100	10	1%
Total Principal Employers	26,838			26,167		
Total Employment	128,162			123,388		

Sources: Kalamazoo County Chamber of Commerce, Harris Michigan Industrial and Services Directories 2008 and 1998
Michigan Department of Labor and Economic Growth, 2008 and 1998

[1]Includes the major employers within the School District and Kalamazoo County

Operating Information

PORTAGE PUBLIC SCHOOLS
Full-time Equivalent School District Employees
Last Ten Fiscal Years (Unaudited)

Function/ program	1999	2000	2001	2002	2003
General government:					
Instructional Services	546.33	544.50	552.86	559.78	566.98
Supporting Services	356.03	352.77	349.46	352.86	340.48
Community Services	49.50	51.50	50.50	51.40	53.50
Athletics	2.60	2.60	2.60	2.60	2.60
Food Service	37.79	42.80	41.33	41.52	41.42
Total	992.25	994.17	996.75	1,008.16	1,004.98

Sources:
Portage Public Schools Human Resources Department
Portage Public Schools Internal Budget Documentation
Michigan Department of Education Staffing Reports 1996-2001

Note:
The District began contracting some employee services during the year ended June 30, 2004 in order to save fringe benefit costs.
The fte equivalents include contracted administrative positions, but do not include contracted childcare workers and cafeteria supervisors, which were previously included in Community Services and Food Service, respectively.

2004	2005	2006	2007	2008
568.26	564.81	575.13	577.75	564.97
336.49	335.78	336.57	337.11	325.76
52.50	9.50	9.50	10.50	9.50
2.60	2.60	2.60	2.60	2.60
42.06	41.50	44.47	44.26	39.36
1,001.91	954.19	968.27	972.22	942.19

PORTAGE PUBLIC SCHOOLS

Operating Indicators

Last Ten Fiscal Years (Unaudited)

Year Ended June 30	Enrollment[1]	Governmental Funds Operating Expenditures[2]	Cost per Pupil	Operating Revenues	Revenue per Pupil	Total Teaching Staff [3]
1999	8,902	$ 57,237,203	$ 6,430	$ 62,135,077	$ 6,980	562
2000	8,956	58,538,393	6,536	64,453,332	7,197	562
2001	8,975	62,902,293	7,009	67,724,796	7,546	580
2002	8,965	69,898,601	7,797	75,402,783	8,411	582
2003	9,101	71,667,774	7,875	76,787,535	8,437	583
2004	9,147	71,157,272	7,779	77,877,926	8,514	585
2005	9,048	72,952,664	8,063	79,432,896	8,779	567
2006	9,082	76,769,759	8,453	83,321,808	9,174	572
2007	8,868	80,540,686	9,082	85,093,698	9,596	569
2008	8,802	80,338,153	9,127	84,899,973	9,646	557

Sources: Portage Public Schools Audit Report
Michigan Department of Education Bulletin 1014
Portage Public Schools October lunch reimbursement claims
Portage Public Schools Human Resources Department

*Information not available

[1]Enrollment is September headcount

[2]Operating expenditures are Total Government Funds Expenditures less Debt Service, Capital Outlay, and Other transactions for 1998-2002; Operating expenditures are Total Government-Wide Expenditures less interest on long-term debt and unallocated depreciation for 2003-2008.

[3]Total Teaching Staff includes all Instruction, Pupil Support, and Instructional Support

[4]Average Teacher Salary and Pupil-Teacher Ratio is for Basic Instructional levels only.

Percentage of Students Qualifying for Free/reduced Meals	Average Teacher Salary[4]	Pupil-Teacher Ratio[4]
*	$ 45,831	20
*	46,768	20
13%	49,414	20
15%	52,028	20
14%	54,820	21
15%	51,547	20
17%	52,477	20
18%	52,469	20
19%	54,957	20
20%	56,755	20

PORTAGE PUBLIC SCHOOLS
Capital Asset Information (Unaudited)
Last Ten Fiscal Years

	As of June 30,									
Building	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Elementary:										
Amberly (1960)										
Acreage	20	20	20	20	20	20	20	20	20	20
Square feet	75,957	75,957	75,957	75,957	75,957	75,957	75,957	75,957	75,957	75,957
Capacity	725	725	725	725	725	725	725	725	725	725
Enrollment	628	627	620	608	587	618	593	598	610	557
Angling Road (1963)										
Acreage	12	12	12	12	12	12	12	12	12	12
Square feet	61,660	61,660	61,660	61,660	61,660	63,710	63,710	63,710	63,710	63,710
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	470	448	453	448	455	434	431	422	407	403
Central Elementary (1969)										
Acreage [1]	48	48	48	48	48	48	48	48	48	48
Square feet	57,700	57,700	57,700	57,700	57,700	60,175	60,175	60,175	60,175	60,175
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	469	449	450	442	432	398	389	414	414	426
Haverhill (1962)										
Acreage	11	11	11	11	11	11	11	11	11	11
Square feet	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	412	401	447	449	476	452	431	469	436	430
Lake Center (1928)										
Acreage	11	11	11	11	11	12	12	12	12	12
Square feet	58,190	58,190	57,390	57,390	57,390	57,390	57,390	57,390	57,390	57,390
Capacity	625	625	625	625	625	625	625	625	625	625
Enrollment	467	484	489	490	510	537	532	540	597	581
Moorsbridge (1994)										
Acreage [2]	-	-	-	-	-	-	-	-	-	-
Square feet	66,868	66,868	66,868	66,868	66,868	66,868	66,868	66,868	66,868	66,868
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	554	559	545	549	577	600	618	631	592	599
Waylee (1955)										
Acreage	3	3	3	3	3	3	3	3	3	3
Square feet	52,780	52,780	52,780	52,780	52,780	52,780	52,780	52,780	52,780	52,780
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	432	452	455	453	439	440	431	418	400	398
Woodland (1968)										
Acreage	9	9	9	9	9	9	9	9	9	9
Square feet	60,400	60,400	60,400	60,400	60,400	64,000	64,000	64,000	64,000	64,000
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	522	524	529	484	476	472	466	485	469	455

[1]Site acreage includes McCamley Field

[2]Site acreage includes Moorsbridge Elementary

[3]Site acreage includes Central Middle School, Administration, Maintenance & Operations, and Transportation

[4]Site acreage includes North Middle School and Community Education Center

[5]Includes 1 Multipurpose Building at each high school

[6]Enrollment for PEP included in individual buildings

Sources:
Portage Public Schools building blueprints
Deyo/Stone Associates Appraisal Report June 30, 2008
September unofficial Head count
DS-4573, TMP Associates

(Continued)

PORTAGE PUBLIC SCHOOLS
Capital Asset Information (Unaudited)
Last Ten Fiscal Years
(Continued)

	Asof June 30,									
Building	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Middle:										
Central Middle (1957)										
Acreage [3]	-	-	-	-	-	-	-	-	-	-
Square feet	120,656	120,656	120,656	120,656	120,656	120,656	120,656	120,656	120,656	120,656
Capacity	788	788	788	788	788	788	788	788	788	788
Enrollment	719	703	673	669	724	739	744	713	663	679
North Middle (1961)										
Acreage [4]	-	-	-	-	-	-	-	-	-	-
Square feet	147,640	147,640	147,640	147,640	147,640	147,640	147,640	147,640	147,640	147,640
Capacity	810	810	810	810	810	810	810	810	810	810
Enrollment	610	620	599	599	616	611	619	581	590	581
West Middle (1972)										
Acreage [2]	66	66	66	66	66	66	66	66	66	66
Square feet	128,159	128,159	128,159	128,159	128,159	128,159	128,159	128,159	128,159	128,159
Capacity	901	901	901	901	901	901	901	901	901	901
Enrollment	761	776	791	763	734	747	716	714	704	705
High:										
Central High (1949)										
Acreage [3]	52	52	52	52	52	52	52	52	52	52
Square feet [5]	237,960	241,260	241,260	241,260	291,260	291,260	291,260	291,260	291,260	291,260
Capacity	1,446	1,446	1,446	1,446	1,446	1,446	1,446	1,446	1,446	1,446
Enrollment	1,347	1,405	1,385	1,462	1,462	1,499	1,494	1,491	1,466	1,437
Northern High (1965)										
Acreage [4]	86	86	86	86	86	86	86	86	86	86
Square feet [5]	210,220	210,220	210,220	210,220	295,201	295,401	295,401	296,001	296,001	296,001
Capacity	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424
Enrollment	1,239	1,207	1,267	1,301	1,401	1,355	1,353	1,382	1,300	1,347
Alternative School-										
Community Education Center (1951)										
Acreage [4]	-	-	-	-	-	-	-	-	-	-
Square feet	52,286	52,286	52,286	52,286	52,286	52,286	52,286	52,286	52,286	52,286
Capacity	276	276	276	276	276	276	276	276	276	276
Enrollment	272	301	272	248	212	245	231	224	220	204

[1]Site acreage includes McCamley Field

[2]Site acreage includes Moorsbridge Elementary

[3]Site acreage includes Central Middle School, Administration, Maintenance & Operations, and Transportation

[4]Site acreage includes North Middle School and Community Education Center

[5]Includes 1 Multipurpose Building at each high school

[6]Enrollment for PEP included in individual buildings

Sources:
Portage Public Schools building blueprints
Deyo/Stone Associates Appraisal Report June 30, 2008
September unofficial Head count
DS-4573, TMP Associates

(Continued)

PORTAGE PUBLIC SCHOOLS
Capital Asset Information (Unaudited)
Last Ten Fiscal Years
(Concluded)

	As of June 30,									
Building	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other:										
Administration (1922)										
Acreage[3]	-	-	-	-	-	-	-	-	-	-
Square feet	49,816	49,816	49,816	49,816	49,816	49,816	49,816	49,816	49,816	49,816
Capacity	25	25	25	25	25	25	25	25	25	25
Enrollment[6]	-	-	-	-	-	-	-	-	-	-
Maintenance (1988) and Grounds (1950)										
Square feet	16,340	16,340	16,340	16,340	16,340	16,340	16,340	16,340	16,340	16,340
Transportation and Central Receiving (1950-1970)										
Square feet	39,047	39,047	39,047	39,047	39,047	39,047	39,047	39,047	39,047	39,047
Number of garages	1	1	1	1	1	1	1	1	1	1
Number of busses	60	60	60	59	59	60	60	60	60	60
Athletics:										
Football fields	1	1	1	1	1	1	1	1	1	1
Soccer fields	2	2	2	2	2	2	2	2	2	2
Running tracks	5	5	5	5	7	7	7	7	7	7
Baseball/softball diamonds	13	13	13	13	13	13	13	13	13	13
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	3	3	3	3	3	3	3	3	3	3
Playgrounds	11	11	11	11	11	11	11	11	11	11
Other Acreage:										
12th Street	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.9
South Westnedge	20	20	20	20	20	20	20	20	20	20
West Centre Street	38	38	38	38	38	38	38	38	-	-

[1]Site acreage includes McCamley Field

[2]Site acreage includes Moorsbridge Elementary

[3]Site acreage includes Central Middle School, Administration, Maintenance & Operations, and Transportation

[4]Site acreage includes North Middle School and Community Education Center

[5]Includes 1 Multipurpose Building at each high school

[6]Enrollment for PEP included in individual buildings

Sources:
Portage Public Schools building blueprints
Deyo/Stone Associates Appraisal Report June 30, 2008
September unofficial Head count
DS-4573, TMP Associates
SM-4107 School Bus Inventory Report

PORTAGE PUBLIC SCHOOLS
SINGLE AUDIT

Table of Contents

For the Year Ended June 30, 2008

	PAGE
Schedule of Expenditures of Federal Awards	1-2
Notes to Schedule of Expenditures of Federal Awards	3
Independent Auditors' 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*	4-5
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	6-7
Schedule of Findings and Questioned Costs	8-9

* * * * * *

PORTAGE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Name	CFDA Number	Pass-through Grantor's Number	Approved Award/Grant Amount	Accrued Revenue Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued Revenue End of Year
U.S. Department of Agriculture							
Direct Programs:							
Food Distribution:							
Entitlement Commodities 2007-2008	10.550	-n/a-	$ 133,646	$ -	$ 133,646	$ 133,646	$ -
Passed-through Michigan Department of Education:							
2006-2007 School Breakfast	10.553	071970	9,834	4,775	14,609	9,834	-
2007-2008 School Breakfast	10.553	081970	98,171	-	93,575	98,171	4,596
				4,775	108,184	108,005	4,596
National School Lunch:							
2006-2007 Snacks	10.555	071980	471	174	645	471	-
2007-2008 Snacks	10.555	081980	1,247	-	1,151	1,247	96
2006-2007 Section 4	10.555	071950	17,484	5,550	23,034	17,484	-
2007-2008 Section 4	10.555	081950	132,152	-	126,450	132,152	5,702
2006-2007 Section 11	10.555	071960	45,034	13,486	58,520	45,034	-
2007-2008 Section 11	10.555	081960	394,493	-	379,075	394,493	15,418
				19,210	588,875	590,881	21,216
Special Milk Program:							
2006-2007 Meals	10.556	071940	237	60	297	237	-
2007-2008 Meals	10.556	081940	1,960	-	1,871	1,960	89
				60	2,168	2,197	89
Total U.S. Department of Agriculture				24,045	832,873	834,729	25,901
U.S. Department of Education							
Passed-through Michigan Department of Education:							
2006-2007 ABE-English Literacy Grant	84.002	071120/7500167	26,600	1,982	1,982	-	-
2007-2008 ABE-English Literacy Grant	84.002	081120/8500167	26,600	-	26,600	26,600	-
				1,982	28,582	26,600	-
2006-2007 Title I, Part A	84.010	061530/0607	162,301	62,883	62,883	-	-
2006-2007 Title I, Part A	84.010	071530/0607	583,793	281,515	289,328	7,813	-
2005-2006 Title I, Part A	84.010	051530/0506	52,090	(27,710)	(27,710)	-	-
2007-2008 Title I, Part A	84.010	081530/0708	662,807	-	485,848	573,452	87,604
				316,688	810,349	581,265	87,604
2007-2008 Title V	84.298	080250-0708	1,786	-	1,786	1,786	-
2006-2007 Title IID Ed Tech	84.318	074290-0607	5,993	1,724	1,724	-	-
2007-2008 Title IID Ed Tech	84.318	084290-0708	5,739	-	5,739	5,739	-
				1,724	7,463	5,739	-
2006-2007 Title IIA	84.367	070520-0607	210,401	89,049	89,049	-	-
2007-2008 Title IIA	84.367	080520-0708	236,689	-	129,405	174,479	45,074
				89,049	218,454	174,479	45,074

PORTAGE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards (concluded)
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Name	CFDA Number	Pass-through Grantor's Number	Approved Award/Grant Amount	Accrued Revenue Beginning of Year	Current Year Receipts	Current Year Expenditures	Accrued Revenue End of Year
U.S. Department of Education (concluded)							
Passed-through Calhoun Intermediate School District:							
2006-2007 Drug Free Schools	84.186	072860-0607	$ 19,634	$ 413	$ 413	$ -	$ -
2007-2008 Drug Free Schools	84.186	082860-0708	21,045	-	21,045	21,045	-
				413	21,458	21,045	-
Passed-through Kalamazoo Regional Educational Service Agency:							
2006-2007 Special Education Transition Grant	84.027A	070490-TS	15,000	15,000	15,000	-	-
2007-2008 Special Education Transition Grant	84.027A	080490-TS	10,000	-	-	9,977	9,977
2006-2007 Service Provider Self Review	84.027A	070440-0607	3,760	791	791	-	-
2007-2008 IDEA Flowthrough	84.027A	080450-0708	421,318	-	421,318	421,318	-
				15,791	437,109	431,295	9,977
Total U.S. Department of Education				425,647	1,525,201	1,242,209	142,655
Total Expenditures of Federal Awards				$ 449,692	$ 2,358,074	$ 2,076,938	$ 168,556

1. Expenditures in this schedule are in agreement with amounts reported as federal revenue in the financial statements and the financial reports submitted to the MDE.
2. The amounts reported on the R7120 (Grants Section Auditor's Report) and Grant Auditor Report reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and are reported in the current year receipts column.
4. Expenditures include spoilage or pilferage.

PORTAGE PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

---

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal awards programs of Portage Public Schools (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Portage Public Schools reporting entity is defined in Note I of the District's financial statements.

Expenditures are in agreement with amounts reported in the basic financial statements. Management has utilized the Grants Section Auditors Report (form R7120) and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

* * * * * *

INDEPENDENT AUDITORS' 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*

October 21, 2008

Board of Education
Portage Public Schools
Portage, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Portage Public Schools***, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2008. 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 Portage Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portage Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Portage Public Schools' internal control over financial reporting.

Our consideration of 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.

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.

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.

Our consideration of the 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

As part of obtaining reasonable assurance about whether Portage Public Schools' 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*.

This report is intended solely for the information and use of management and the Board of Education, 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.

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

October 21, 2008

Board of Education
Portage Public Schools
Portage, Michigan

Compliance

We have audited the compliance of ***Portage Public Schools*** 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 June 30, 2008. Portage Public Schools' major federal programs are identified in the summary of auditors' 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 Portage Public Schools' management. Our responsibility is to express an opinion on Portage Public Schools' 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 Portage Public Schools' 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 Portage Public Schools' compliance with those requirements.

In our opinion, Portage Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

BAKER TILLY INTERNATIONAL
2330 East Paris Avenue, SE •P.O. Box 6547 • Grand Rapids, MI 49516 •616.975.4100 • Fax 616.975.4400 • www.rehmann.com

Internal Control Over Compliance

The management of Portage Public Schools 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 Portage Public Schools' 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 our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Portage Public Schools' internal control over compliance.

A *control deficiency* in an entity'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 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 material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Portage Public Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Portage Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended solely for the information and use of management, the Board of Education, others within the organization, 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.

Rehmann Robson

PORTAGE PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	_____ yes __X__ no

PORTAGE PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.550	Entitlement Commodities
84.010	Title I, Part A
84.027A	Special Education – Grants to States

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

Auditee qualified as low-risk auditee? X yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS

2007-1 Title I, Part A: Allocation of Payroll Costs

The District charged payroll costs to a federal grant based on estimates without a documented, after-the-fact review. This has been corrected.

* * * * * *

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP

October 21, 2008

To the Board of Education of
Portage Public Schools
Portage, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Portage Public Schools*** (the "District") for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated June 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the ***U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated June 10, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. **No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the allowance for uncollectible taxes and deferral of certain tax revenues for SEV/TIFA adjustments anticipated in future periods are based on the District's prior experience of review of applicable tax roll changes. These estimates do not preclude that other collection efforts made by the tax collection units and the District will occasionally receive payments for taxes previously written off.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- Management's estimate of the uninsured risks of loss, including incurred but not reported workers' compensation claims, utilizes the services of an independent third-party risk management consultant to estimate the liability.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. **Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.**

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. **We are pleased to report that no such disagreements arose during the course of our audit.**

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. **To our knowledge, there were no such consultations with other accountants.**

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. **However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.**

This information is intended solely for the use of the governing body and management of Portage Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Robson