

Portage Public
Schools
Portage, Michigan

Portage Public Schools
THE FUTURE LEARNS HERE

Year Ended
June 30, 2013

Comprehensive
Annual Financial
Report

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of

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

**For the Fiscal Year Ended
June 30, 2013**

**Robert Olsen
Superintendent of Schools**

BOARD OF EDUCATION

**Robert "Bo" Snyder
President**

**Randy Van Antwerp
Vice President**

**Tom Eddy
Secretary**

**Ted Hartridge
Trustee**

**Geoff Howe
Trustee**

**Rusty Rathburn
Trustee**

**Joanne Willson
Trustee**

Prepared by:
Karla Colestock, Director of Finance

MISSION STATEMENT

Portage Public Schools will empower every student to contribute intelligently and ethically in an information rich, global society.

GLOBAL ENDS POLICY

All enrolled students will have an empowering set of knowledge bases that will enable them to succeed at the next stage of their lives in an increasingly complex and global world and at a level such that the results justify the costs.

Priorities

Of the different student needs served, there is a priority of focus in the order in which they appear below.

1. Curricular academics.
2. Activities that are held outside of the school day and are a part of the curriculum (co-curricular).
3. Activities held outside the school day and are not a part of the curriculum (extra-curricular).

Academic

Students will have a strong academic base, which is our first priority.

- They will have skills and knowledge in numeracy, literacy, science and technology to their utmost potential.
- They will have a well-rounded introduction to multiple disciplines including but not limited to the arts, humanities, and world languages.
- They will be skilled learners, able to identify what they need to know and how to learn it.
- They will be complex, analytical, creative thinkers able to make reasonable decisions.

Self-Aware

Students will be self-aware and have a positive self-image.

- They will feel confident in their ability to succeed.
- They will understand their strengths, their learning styles and their creative potential.
- They will recognize areas of study that match their unique set of abilities, talents, and interests.

Life Skills

Students will practice positive life and social skills.

- They will be good communicators.
- They will be able to participate in and add to a group.
- They will be physically active appropriate to their ability.
- They will be able to make positive choices for a healthy life style.

Citizenry

Students will be good citizens of the community and the world.

- They will be good citizens in the community in which they live.
- They will make positive contributions to their community.
- They will be good stewards of the environment.
- They will practice honesty, integrity, and ethical behavior.
- They will understand, appreciate and demonstrate respect for diverse cultures.
- They will be able to communicate with people in other parts of the world.

PORTAGE PUBLIC SCHOOLS

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FEDERAL PROGRAM AWARD INFORMATION

Issued
under
separate
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INTRODUCTORY SECTION

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November 15, 2013

Dear Citizens and Board Members:

The Comprehensive Annual Financial Report of Portage Public Schools (the “School District”) for the fiscal year ended June 30, 2013 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.

Management’s Discussion and Analysis

Generally Accepted Accounting Principles in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management’s discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

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.

Profile of Portage Public Schools

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 approximately 3,000 people in Kalamazoo County. Portage also is the world-wide headquarters for the Stryker Corporation, which employs approximately 2,300 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.

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 childcare program that is housed in both the Community Education Center and several of our elementary buildings, a gifted and talented program for third through fifth grade students located in Central High School, a maintenance and transportation facility, 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 one undeveloped piece of property which contains approximately 20 acres.

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, summer school options, on-line learning and a wide variety of community education programs. A solid academic curriculum primarily consisting of language arts, world languages, mathematics, science, social studies, music, visual arts and physical education is offered at all grade levels. Additionally, a plethora of electives are offered in grades 6-12. Specific programs for gifted and talented students are provided from third grade through high school. Spanish and Chinese foreign language programs are offered to elementary students, either in the classroom or as enrichment opportunities. 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, and Kalamazoo Valley Community College. Technical education programs begin at the middle school level and continue through high school. The middle schools and high schools also offer a broad range of extra and co-curricular experiences, including extensive athletic 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 up-to-date software and hardware are all part of the 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). 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 is now fully operational. 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.

As a result of the challenging pre-kindergarten through grade 12 education, which is based on well-defined benchmarks and related assessments, "Portage Public Schools will empower every student to contribute 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 improvement teams, specific volunteer groups or District-level committees.

The School District's community enrichment programs and childcare services start with daycare for infant and preschool children, after school care for school age children, and enrichment program participation with over 5,300 processed registrations each year. Business partnerships, 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), leisure/hobby programs, informational seminars/classes, School District facility use, youth day camps, sports 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. All elementaries and middle schools follow the Michigan Department of Education's School Improvement framework. At the high school level, they coordinate this planning with both the Michigan Department of Education and 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: Federal and State mandates, District goals, Common Core State Standards, curriculum and instruction initiatives, school improvement, Multi-Tiered Systems of Support, 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 new teachers are assigned a mentor teacher to assist them in their orientation into the profession. Further, instructional coaches are provided as needed to all teachers.

Professional growth is not limited to "one time" conferences and trainings. Teachers are provided ongoing support to work collaboratively in planning assessments and instructional strategies to meet the needs of all students. 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 54 members. These members include K-12 teachers, instructional specialists, parents, administrators, a community member, and student representatives. 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, Superintendent, and 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. 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.

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, Media, Applied Sciences and Human Growth and Development curricula have been written. All written curricula have been fully implemented.

The District's Points of Pride include the following:

- Portage Northern and Portage Central have been named to the America's Best High Schools list by the Washington Post.
- The District received "Academic State Champion" status by The Center for Michigan.
- Northern and Central High Schools had students selected as National Merit Finalists.
- First district in Michigan to have officially authorized Confucius classrooms, offering early exposure to Chinese language/culture.
- Portage Northern's Media Center was selected in the fall of 2010 as the top school library in Michigan, and among the top 35 nationwide by the American Association of School Libraries.
- The City of Portage, Portage Public Schools, and the Portage district library recently launched a unique cooperative marketing effort to promote services to residents and businesses.
- The *Portage Connection*, our e-magazine for alumni, received the top award for electronic communications by the Michigan School Public Relations Association.
- Our faculty achievements continue with several staff being recognized as either outstanding educators or coaches in various fields or for their service in a particular field of education. Over 70% of our faculty hold master's degrees.
- Continuing support of the District by our two school foundations, both with volunteer governing boards: Portage Education Foundation (est. 1990) and Portage Athletic Foundation (est. 1981).

The School District is continuing to redesign its teacher evaluation system to align with recent changes in legislation related to best instructional practices. The system includes specific statements of expectations for effective teacher's performance and encourages lessons that follow State curriculum standards.

Facilities

As a result of the voters passing two bond proposals in November, 2007, two new elementary schools have been built on the District's 12th Street and Lake Center sites and opened in September, 2009 and 2010, respectively. Portage Central High School's new building has been constructed and opened in the fall of 2011. Portage Northern High School has completed significant renovations in their media center and all academic wings, and a new Commons area has been constructed. A new softball field at Portage Northern High School and new tennis courts at both high schools have been constructed. A new transportation and maintenance facility has been built, and Waylee Elementary has been converted into our Administration Building. Technology systems have been improved at all sites, including equipment that will help our buildings become the classrooms of tomorrow.

With our Building and Site Sinking Funds, our Technology and Training Center was renovated for central office personnel to move there, becoming our new Administration Building. In addition, traffic redesign and asphalt projects have been completed at Haverhill Elementary, North Middle School, and West Middle School to improve logistics and safety for our parents and students. Finally, major roofing repairs were begun at West Middle School and security upgrades were begun at several of our buildings.

A listing of our facilities and their respective ages follows:

| Facility Name | Year of Construction | Age of Facility (years) |
|---|----------------------|-------------------------|
| Amberly Elementary | 1960 | 53 |
| Angling Road Elementary | 1963 | 50 |
| Central Elementary | 1969 | 44 |
| Haverhill Elementary | 1962 | 51 |
| Lake Center Elementary | 2010 | 3 |
| Moorsbridge Elementary | 1994 | 19 |
| 12th Street Elementary | 2009 | 4 |
| Woodland Elementary | 1968 | 45 |
| Central Middle School | 1957 | 56 |
| North Middle School | 1961 | 52 |
| West Middle School | 1972 | 41 |
| Central High School | 2011 | 2 |
| Northern High School | 1965 | 48 |
| Community Education Center | 1951 | 62 |
| Administration Building (previous) | 1922 | 91 |
| Waylee Technology & Training Center/ Administration Building | 1955 | 58 |
| Zylman Maintenance & Transportation Facility | 2009 | 4 |

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 in the past several years, specific strategic issues have been identified as opportunities to move closer to our vision and are the focus of detailed strategy formulation. That process protected and expanded the caliber of the education provided for students and positioned the District for where it is today. It has positioned the District to pursue its next tier of District Goals that aim toward achieving even higher levels of performance through the use of quality system processes. The target is to perform as a district of distinction at a national level.

The School District is engaged in a Strategic Visioning process as a catalyst for increasing student achievement within the School District. The work that has been done so far has developed Multi-Tiered Systems of Support (MTSS) at each of the District's 14 schools. The MTSS process assures each student is receiving the appropriate support to be college ready by graduation. In addition, the District continues to make adjustments to curriculum and instruction in an effort to become a recognized state and nationwide leader in education.

Economic Outlook

As the School District completes its eighteenth 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 2011, the 1.50 county wide enhancement millage was renewed for three more years, beginning with the 2011/12 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 prioritize expenditures and develop long-term strategies to ensure that 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, 2013

Please refer to the Management's Discussion and Analysis section for a summary of the financial condition of the School District at June 30, 2013.

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. These funds are financed by bond issues and our Building & Site Sinking Fund millage.

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.

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 2012-13 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 relatively stable 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 redistricting study was completed and implemented in the 2009-10 school year. 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 2012-13 was 9,443 students, which includes approximately 600 students from St. Michael's Lutheran Church, St. Augustine's, and St. Monica's, where we offer shared-time programs. Enrollment projections indicate the possibility of some enrollment stabilization over the next five years. Factors influencing student enrollment during this time period continue to include impacts from the movement of the birthdate for enrollment requirement for kindergartners from December 1 to November 1 for the 2013-14 year, 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 versus our graduating senior classes, and continued employment reduction issues due to strains from the local economy. We are hopeful that these will be offset by students who are attracted to the District for our new facilities and the wonderful education programs we have to offer.

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, 2012. This was the ninth 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, 2012. This was the eighth 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.

Respectfully submitted,



Karla Colestock, CPA
Director of Finance



Mark Bielang
Superintendent of Schools

PORTAGE PUBLIC SCHOOLS DISTRICT OFFICIALS

2012-2013 Board of Education



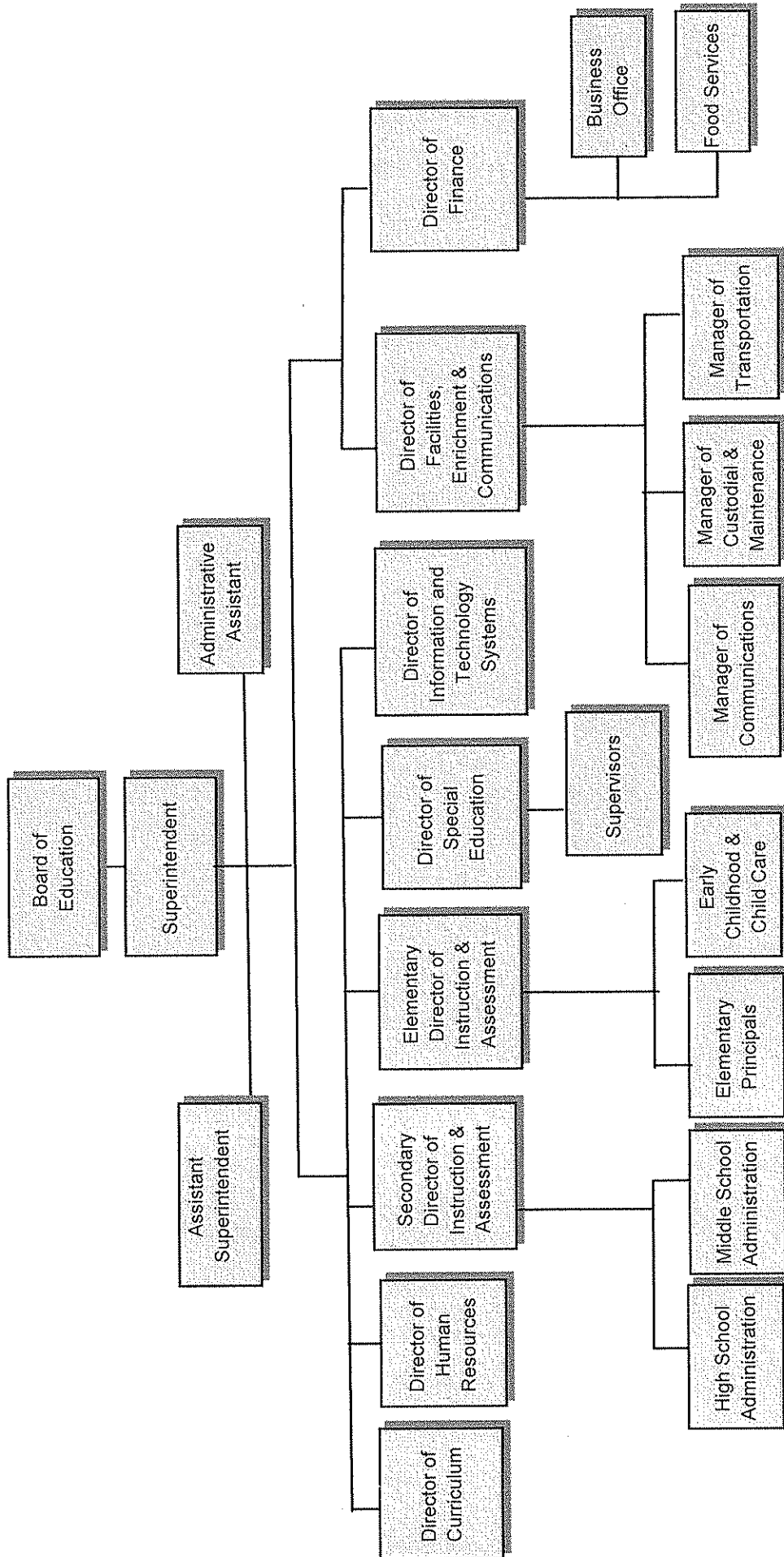
Top Row (Left to right): Robert "Bo" Snyder (Board President, Appointed 2009, Term Expires 2016); Randy Van Antwerp (Board Vice-President, Elected 2009, Term Expires 2014); Tom Eddy (Board Secretary, Elected 2011, Term Expires 2016).

Bottom Row (Left to Right): Ted Hartridge (Trustee, Elected 2011, Term Expires 2016); Geoff Howe (Trustee, Elected 2010, Term Expires 2014); Rusty Rathburn (Trustee, Elected 2008, Term Expires 2016); Joanne Willson (Trustee, Elected 2010, Term Expires 2014).

Central Administration

Rob Olsen, Superintendent
Sarah Baker, Communications Manager
Karla Colestock, Director of Finance
Nancy Haas, Director of Curriculum and Instruction
Larry Killips, Director of Secondary Instructional Services and Assessment
Mark Root, Director of Elementary Instructional Services and Assessment
Dr. Craig Ross, Director of Enrichment, Facilities, and Communications
Gail Van Daff, Director of Special Education Services
Daniel Vomastek, Director of Information and Technology Systems

PORTAGE PUBLIC SCHOOLS ADMINISTRATIVE STRUCTURE



Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Portage Public Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

November 15, 2013

Board of Education
Portage Public Schools
Portage, Michigan**Report on the Financial Statements**

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 "School District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously 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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portage Public Schools' basic financial statements. The combining and individual fund financial statements and schedules, supplementary information, and the introductory and statistical sections 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information, introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, 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* in considering the District's internal control over financial reporting and compliance.

Rehmann Johnson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

PORTAGE PUBLIC SCHOOLS

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, 2013 and 2012. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the School District exceeded its liabilities at the close of the most recent fiscal year by \$36,926,718 (*net position*). Of this amount, \$6,462,998 (*unrestricted net position*) may be used to meet the District's ongoing obligations for district programs.
- The School District's total net position increased by \$2,150,752.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$10,000,693, a net decrease of \$1,376,833 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance of the general fund was \$7,238,043, or 9.2% of total general fund expenditures.
- Capital assets decreased by \$2,943,510 (net of depreciation expense) as the School District continued projects financed primarily by the 2008 Bond Construction Funds and the Building & Site Sinking Fund.

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 fund for the year ended June 30, 2013, the General Fund, 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 Supplementary Information)

Basic Financial Statements
Government-wide Financial Statements *Fund Financial Statements*
Notes to Basic Financial Statements
Supplementary Information
Statistical Section

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

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

The *Statement of Net Position* 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 Position includes all of the School District's assets, deferred outflows of resources 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 position and how they have changed. Net position - the difference between assets and deferred outflows of resources and liabilities, as reported in the Statement of Net Position - is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net position - 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 Position 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 school aid (foundation grant allowance revenue), charges for services, 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 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 Position 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.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

Financial Analysis of the School District as a Whole

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets and deferred outflows of resources exceeded liabilities by \$36,926,718 at the close of the most recent fiscal year.

| | Net Position | |
|---------------------------------------|----------------------|----------------------|
| | 2013 | 2012 |
| Assets | | |
| Current and other assets | \$ 19,916,723 | \$ 20,245,229 |
| Capital assets, net | 149,674,105 | 152,617,615 |
| Total assets | <u>169,590,828</u> | <u>172,862,844</u> |
| Deferred outflows of resources | <u>267,933</u> | <u>262,898</u> |
| Liabilities | | |
| Other liabilities | 10,815,649 | 9,785,249 |
| Long-term liabilities | 122,116,394 | 128,564,527 |
| Total liabilities | <u>132,932,043</u> | <u>138,349,776</u> |
| Net position | | |
| Net investment in capital assets | 28,872,983 | 27,229,920 |
| Restricted | 1,590,737 | 2,370,799 |
| Unrestricted | 6,462,998 | 5,175,247 |
| Total net position | <u>\$ 36,926,718</u> | <u>\$ 34,775,966</u> |

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The School District's net position was \$36,926,718 and \$34,775,966 at June 30, 2013 and 2012, respectively. The net investment in capital assets of \$28,872,983, 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 position is reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those net position for day-to-day operations. This includes \$247,126 for food service and \$1,343,611 for the Building and Site Sinking Fund. The remaining amount of net position, \$6,462,998, is unrestricted.

Unrestricted net position of governmental activities represent the accumulated results of all past years' operations. The unrestricted net position 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 and food service funds will have a significant impact on the change in unrestricted net position.

The School District is able to report positive balances in all three categories of net position. The School District's net investment in capital assets increased \$1,643,063 as a result of funds being available for investment into buildings and equipment. In addition, the overall debt of the School District decreased. 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 position of \$780,062 is a result of excess revenues in the food service fund, offset by excess expenditures in the building and site sinking fund. The increase in unrestricted net position of \$1,287,751 is primarily the result of excess expenditures for the general fund, offset by a decrease in our compensated absences liability, and a decrease in our accrued interest on bonds payable.

The results of this year's operations for the School District as a whole are reported in the Condensed Statement of Activities, which shows the changes in net position for fiscal years ended June 30, 2013 and 2012.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

| | Change in Net Position | |
|---|------------------------|----------------------|
| | 2013 | 2012 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 5,092,809 | \$ 5,194,338 |
| Operating grants and contributions | 7,473,762 | 6,914,593 |
| Capital grants and contributions | 49,554 | 107,002 |
| General revenues: | | |
| Property taxes | 30,566,120 | 28,932,095 |
| Unrestricted school aid | 49,930,547 | 47,550,908 |
| Unrestricted grants and contributions | 264,808 | 272,934 |
| Unrestricted investment earnings | 13,954 | 22,382 |
| Total revenues | 93,391,554 | 88,994,252 |
| Expenses | | |
| Instruction | 47,714,493 | 44,651,186 |
| Supporting services | 28,872,675 | 29,538,041 |
| Athletics | 1,506,966 | 1,471,460 |
| Community service | 2,285,802 | 2,373,246 |
| Bookstore | 12,272 | 12,671 |
| Food service | 2,817,430 | 2,794,252 |
| Interest on long-term debt | 5,100,534 | 5,409,221 |
| Depreciation (unallocated) | 2,930,630 | 2,278,645 |
| Total expenses | 91,240,802 | 88,528,722 |
| Change in net position | 2,150,752 | 465,530 |
| Net position, beginning of year, as restated | 34,775,966 | 34,310,436 |
| Net position, end of year | \$ 36,926,718 | \$ 34,775,966 |

As reported in the Condensed Statement of Activities, the cost of all of our governmental activities this year was \$91,240,802. Certain activities were partially funded from charges for services from those who benefited from the programs of \$5,092,809, or by other governments and organizations that subsidized certain programs with grants and contributions of \$7,473,762, and by organizations that made capital contributions of \$49,554. We paid for the remaining “public benefit” portion of our governmental activities with \$30,566,120 in taxes, \$49,930,547 in unrestricted school aid, grants and contributions not restricted to specific programs of \$264,808, and unrestricted investment earnings of \$13,954.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

The decrease in charges for services of \$101,529 is due to lower childcare, community enrichment, and lunch fees collected due to a slight decrease in the participation levels in our programs. These decreases were offset by increased billings for transportation services to outside entities and increased gate receipts and pay to participate fees. Operating grants and contributions increased \$559,169 as a result of the expansion of our At Risk and Great Start Readiness programs, increased reimbursements from our Special Education categoricals, and an increased reimbursement rate from the National School Lunch Program for compliance with the Healthy Hunger Free Kids Act. Property taxes increased \$1,634,025, in part from increasing the millage rate on our debt levy from 4.54 mills to 5.30 mills. Our total taxable value increased approximately 1.6%. The increase in unrestricted school aid of \$2,379,639 is due to a \$120 per pupil increase enacted by the legislature, offset by a decrease in the enacted categorical for best practices implemented. In addition, there were 110 student blended FTE's more than the previous year, which included an expansion of our shared programs with the parochial schools in Kalamazoo County. Unrestricted investment earnings decreased \$8,428. This is due to the decreasing level of investments available to generate earnings in a continued poor interest rate environment.

The School District experienced an increase in net position of \$2,150,752. Key reasons for the change in net position included capitalizable expenditures from the General Fund, Building and Site Sinking Fund, Food Service Fund, and the 2008 Bond Construction Funds, the repayment of bond principal, and the decrease in the compensated absences liability. The increase in net position 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 \$10,000,693 which is a decrease of \$1,376,833 from last year. The primary reason for the decrease was due to the planned use of Building and Site Sinking Fund fund balance and Construction Fund #1 fund balance, offset by an increase in the combined fund balances of our Debt Retirement Funds.

In the General Fund, our principal operating fund, the fund balance decreased \$26,276 to \$7,238,043. The School District budgeted a decrease of \$446,721. The General Fund fund balance is available to fund costs related to allowable school operating purposes.

The Food Service Fund fund balance had a net increase of \$24,266 to \$247,126. This is primarily the result of operating at a breakeven level and a decrease in the amount of indirect costs charged by the General Fund.

Combined, the Debt Service Funds showed a decrease in fund balance of \$474,209 to \$502,537. The School District levied 5.30 mills on all property, an increase of 0.76 in the rate over 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 restricted since they can only be used to pay debt service obligations.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

The Building and Site Sinking Fund fund balance decreased by \$841,594 to \$1,343,611. 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 combined fund balance of \$669,376. Fund #1 had a decrease in its fund balance of \$1,603,973 to \$649,996. Fund #2 had a decrease in its fund balance of \$72,841 to \$19,380. These amounts represent the remaining resources obtained as 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.

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 4.3% for the year ended June 30, 2013.

| | |
|--|---------------------|
| Total revenues and other financing sources (final budget) | \$ 78,713,110 |
| Total revenues and other financing sources (original budget) | <u>75,497,633</u> |
| Increase in budgeted revenues and other financing sources | <u>\$ 3,215,477</u> |

The School District's actual general fund revenues and other financing sources were less than the final budget by \$232,832, a variance of .30%. Some of the significant revised budget adjustments for revenue for the year include:

- Property tax and enhancement millage revenues decreased \$150,000 from the beginning 2012 valuation through the settlement process.
- State aid foundation grant allowance budget had a net increase of \$756,000 due to the offset in the property tax decrease above plus increased enrollment in the October membership count over what was budgeted in June, 2012 by 92 fte memberships. State aid categoricals also increased by \$1,200,000.
- Childcare, Preschool, and Community Enrichment fee estimates decreased \$126,000.
- Federal and state grant awards increased \$444,000.
- Special Education funding through K/RESA increased \$238,000.
- Other financing sources increased \$658,000 for the issuance of installment purchase contracts for the purchase of buses and vans.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

General Fund Expenditures and Other Financing Uses

The School District's budget for expenditures and other financing uses increased by 4.2% for the year ended June 30, 2013.

| | |
|---|---------------------|
| Total expenditures and other financing uses (final budget) | \$ 79,159,831 |
| Total expenditures and other financing uses (original budget) | <u>75,981,646</u> |
| Increase in budgeted expenditures and other financing uses | <u>\$ 3,178,185</u> |

The School District's actual general fund expenditures and other financing uses were less than the revised budget by \$653,277, a variance of .83%.

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

- Increase in salary and all fringe benefits for all employee groups of \$1,526,000 based on actual staffing and negotiated contracts. The increase was offset by increased usage of contracted employees for various groups during the year of \$806,000, saving mostly on fringe benefit costs.
- Increased grant allocations for professional development experiences, purchased services, and supply allocations of \$379,000.
- Increase in estimated capital outlay expenditures of \$761,000 for maintenance and operations and transportation vehicles.
- Decrease in estimate for utilities of \$189,000 due to falling natural gas prices and continued implementation of our energy management system.

Although the School District's final budget for the general fund anticipated that expenditures would exceed revenues by \$446,721, the actual results for the year show expenditures in excess of revenue by \$26,276.

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

- Actual revenues and other financing sources were approximately \$233,000 less than estimated. This is due to lower personal property tax and enhancement millage collections of \$58,000 than expected at year end, and less federal grant revenues received of \$194,000 as a result of timing on grant spending.
- Actual expenditures and other financing uses were approximately \$653,000 less than budget. This savings consisted of \$194,000 in unspent federal grant funds due to the timing of the expenditures. In addition, capital outlay costs were less by \$159,000, primarily due to the delay in the delivery of a special needs bus and unspent funds allocated for building level needs. Salaries and fringe benefit costs were less than budget by \$162,000. Finally, savings were achieved in the building and athletic supply budget areas of \$152,000.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2013 and 2012, the School District's investment in capital assets for its governmental activities was \$149,674,105 and \$152,617,615 (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.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

| | Capital Assets (net) | |
|----------------------------------|-----------------------|----------------------|
| | 2013 | 2012 |
| Land | \$ 1,436,282 | \$ 1,436,282 |
| Assets not yet placed in service | - | 463,283 |
| Construction in progress | 400,301 | 1,239,163 |
| Land improvements | 13,619,692 | 13,058,313 |
| Buildings and improvements | 151,022,187 | 150,620,417 |
| Equipment | 26,303,261 | 26,683,943 |
| Vehicles | 6,037,479 | 5,271,168 |
| Total capital assets | 198,819,202 | 198,772,569 |
| Less accumulated depreciation | (49,145,097) | (46,154,954) |
| Total capital assets, net | <u>\$ 149,674,105</u> | <u>\$152,617,615</u> |

The amount represents a net decrease in net capital assets of \$2,943,510, or 1.93% (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 2012-13:

- New buses and maintenance vehicles costing \$766,000 were purchased.
- Computers and other equipment were purchased totaling \$2,604,000. Approximately \$1,700,000 of this was included in the Construction in progress and Assets not yet placed in service classifications in the previous year, including technology projects in our middle schools and alternative education classrooms in the District.
- Building renovations, roofing, door replacements, and other projects were completed in several buildings at a cost of \$1,162,000.
- Land improvements costing \$522,000. This includes parking lot upgrades at several buildings, along with construction of a lacrosse field at 12th Street Elementary.

Depreciation expense for the year is \$6,343,048. We present more detailed information on our capital assets in Note 5 in the basic financial statements.

Long-term Debt. At June 30, 2013 and 2012, the School District's outstanding debt can be summarized as follows:

| | Long-term Debt | |
|--------------------------------|-----------------------|----------------------|
| | 2013 | 2012 |
| General obligation bonds | \$113,920,000 | \$119,825,000 |
| Installment purchase contracts | 1,575,529 | 907,309 |
| Compensated absences | 377,963 | 397,120 |
| Severance benefits payable | - | 840,000 |
| Unamortized bond premium | 6,242,902 | 6,595,098 |
| Total long-term debt | <u>\$ 122,116,394</u> | <u>\$128,564,527</u> |

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

During the 2012-2013 fiscal year, the School District's total debt decreased by \$6,448,133 (5.0%). Other long-term obligations include employee compensated absences for vacation pay and teachers' sick pay. In September 2012, the District refunded the remaining balance of the 2002 Building and Site Bonds in the amount of \$3,455,000 by issuing the 2012 Refunding Bonds in the amount of \$3,480,000. The District issued \$824,904 of installment purchase contracts for the purchase of buses and vans. In 2010, a severance pay plan was implemented for teachers who elected to retire early. The final payment of \$840,000 was made during the year ended June 30, 2013.

The School District's General Obligation Bond rating continues to be "AA-" from Standard and Poor's Rating Services and "Aa2" from Moody's Investor Services, which is the same as it was in the prior year. 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 issues "qualified debt," that is, debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$113,920,000 is significantly less than the State's statutorily imposed limit of \$348,730,481. Additional detailed information regarding long-term debt can be found in Note 8 in the basic financial statements.

Economic Factors and Next Year's Budget and Rates

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Michigan's economy and employment continue to lag behind most other states and the nation as a whole. The unemployment rate was 8.7% in June, 2013, versus a national rate of 7.6%. The continued high unemployment in Michigan puts significant downward pressure on income taxes, which are a significant source of revenue for the School Aid Fund.
- Since the election of the republican governor and legislature in 2010, they have enacted a series of educational reforms. The following reforms affect labor negotiations, teacher tenure, and district reporting requirements:

The labor negotiations reforms give more control to districts regarding their employee healthcare and wage costs. Districts are no longer required to pay the cost increase for steps and healthcare benefits when a contract expires.

The enacted tenure reforms deal with teacher evaluations and will result in districts having more control over their certified staff and the ability to dismiss ineffective teachers and administrators.

Districts are now required to incorporate student achievement data into administrator and teacher evaluations.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

Overall, the state has increased the requirements for districts to submit both student and district operational data.

- Michigan, similar to many other states, continues to experience the financial pressure of its public employee defined benefit retirement plans. During the fiscal year 2011-12, Public Act 300 was signed into law by the governor. This law reformed the MPSERS plans and helped to hold the District contributions more constant. The employer retirement contribution rate for public school employees was 24.32% for employees in the traditional plan for the 2012-13 school year. For the 2013-14 year, the District will be paying a 29.35% contribution rate for employees who worked in the public school system prior to July 1, 2010. This includes a 4.56% stabilization rate factor, which is being offset to Districts in the form of a state aid categorical. The increased costs for post employment retirement benefits continue to be a significant cost factor for the District even after Public Act 300 was placed into law.
- The Affordable Health Care Act will have an impact on the District's budget in the future as it mandates that large employers provide health care coverage to employees working more than 30 hours a week.

The Board of Education and Administration considered many factors when setting the School District's 2013-14 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 local economy and student demographics, the School District budgeted for an increase of 25 student FTE for 2013-14. In addition, Section 25 of the State aid act is now in place where the funding follows a student who comes to or leaves your district after the fall count day and will continue until the spring count day in February, 2013. Finally, the birth date for starting kindergarten has been moved up to November 1 in the current year. With these major changes in pupil accounting, it will make it extremely challenging to forecast a blended FTE number until after the February count day next spring.

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 the State aid bill was finalized by the time the Board of Education adopted the budget in June, 2013, the School District's Board of Education adopted a budget with a 90/10% blend of the estimated September, 2013 and estimated February, 2014 student counts. We used a \$7,026 foundation grant, which is a \$60 per pupil increase from the \$6,966 level used for the 2012-13 fiscal year. In addition, there is an equity payment of \$50 per pupil for Districts receiving at or below the basic foundation grant amount. The categoricals continue for 1) implementing best practices, and 2) revenues offsetting against the increase in the retirement rate for the 2013-14 year. On June 13, 2013, the State Aid Bill was signed by the governor. 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 2013-14 school year, we anticipate that the fall student count will be higher than the estimates used in creating the budget.

All 2013-14 labor contracts have been settled. The District continues to look for ways to reduce salary and fringe benefit costs in light of the impact retirement and insurance costs have on our budget.

PORTAGE PUBLIC SCHOOLS

Management's Discussion and Analysis

Budget reductions were made in various areas in fiscal years 2009 through 2013 in anticipation of financial constraints from the local and State economy. In May, 2011, 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 2013-14 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

PORTAGE PUBLIC SCHOOLS

Statement of Net Position

June 30, 2013

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 7,258,329 |
| Investments | 700,520 |
| Receivables | 11,565,785 |
| Inventories and prepaid items | 392,089 |
| Capital assets not being depreciated | 1,836,583 |
| Capital assets being depreciated, net | <u>147,837,522</u> |
| Total assets | <u>169,590,828</u> |
| Deferred outflows of resources | |
| Loss on advance bond refundings, net | <u>267,933</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | 10,160,845 |
| Unearned revenue | 654,804 |
| Long-term debt: | |
| Due within one year | 6,999,122 |
| Due in more than one year | <u>115,117,272</u> |
| Total liabilities | <u>132,932,043</u> |
| Net position | |
| Net investment in capital assets | 28,872,983 |
| Restricted for: | |
| Food service | 247,126 |
| Building and Site Sinking Fund | 1,343,611 |
| Unrestricted | <u>6,462,998</u> |
| Total net position | <u>\$ 36,926,718</u> |

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

PORTAGE PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2013

| Functions / Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues |
|--|----------------------|-------------------------|--|--|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction | \$ 47,714,493 | \$ 517,366 | \$ 4,537,967 | \$ 1,141 | \$ (42,658,019) |
| Supporting services | 28,872,675 | 361,061 | 1,480,439 | 2,617 | (27,028,558) |
| Athletics | 1,506,966 | 261,147 | 4,259 | 45,796 | (1,195,764) |
| Community service | 2,285,802 | 2,490,182 | - | - | 204,380 |
| Bookstore | 12,272 | 12,272 | - | - | - |
| Food service | 2,817,430 | 1,450,781 | 1,440,400 | - | 73,751 |
| Interest on long-term debt | 5,100,534 | - | 10,697 | - | (5,089,837) |
| Unallocated depreciation | 2,930,630 | - | - | - | (2,930,630) |
| Total governmental activities | \$ 91,240,802 | \$ 5,092,809 | \$ 7,473,762 | \$ 49,554 | (78,624,677) |
| General revenues: | | | | | |
| Property taxes, levied for general operations | | | | | 17,590,022 |
| Property taxes, levied for debt service and capital projects funds | | | | | 12,976,098 |
| Unrestricted school aid | | | | | 49,930,547 |
| Grants and contributions not restricted to specific programs | | | | | 264,808 |
| Unrestricted investment earnings | | | | | 13,954 |
| Total general revenues | | | | | 80,775,429 |
| Change in net position | | | | | 2,150,752 |
| Net position, beginning of year, as restated | | | | | 34,775,966 |
| Net position, end of year | | | | | \$ 36,926,718 |

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

PORTAGE PUBLIC SCHOOLS

Balance Sheet

Governmental Funds
June 30, 2013

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 4,878,034 | \$ 2,380,295 | \$ 7,258,329 |
| Investments | - | 700,520 | 700,520 |
| Accounts receivable | 131,013 | 853 | 131,866 |
| Taxes receivable | 28,037 | 51,511 | 79,548 |
| Due from other governments | 11,322,515 | 31,856 | 11,354,371 |
| Due from other funds | 1,184 | 177,688 | 178,872 |
| Inventory | 48,055 | 45,527 | 93,582 |
| Prepays | 165,174 | 133,333 | 298,507 |
| Total assets | \$ 16,574,012 | \$ 3,521,583 | \$ 20,095,595 |
| Liabilities | | | |
| Accounts payable | \$ 407,559 | \$ 543,932 | \$ 951,491 |
| Salaries and withholdings payable | 5,108,858 | 2,857 | 5,111,715 |
| Accrued liabilities | 2,962,159 | 15,110 | 2,977,269 |
| Due to other governments | 148,384 | 2,965 | 151,349 |
| Due to other funds | 74,395 | 104,477 | 178,872 |
| Unearned revenue | 606,583 | 48,221 | 654,804 |
| Total liabilities | 9,307,938 | 717,562 | 10,025,500 |
| Deferred inflows of resources | | | |
| Unavailable revenue - property taxes | 28,031 | 41,371 | 69,402 |
| Fund balances | | | |
| Nonspendable | 213,229 | 178,860 | 392,089 |
| Restricted | - | 2,583,790 | 2,583,790 |
| Assigned | 427,286 | - | 427,286 |
| Unassigned | 6,597,528 | - | 6,597,528 |
| Total fund balances | 7,238,043 | 2,762,650 | 10,000,693 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 16,574,012 | \$ 3,521,583 | \$ 20,095,595 |

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

PORTAGE PUBLIC SCHOOLS

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds \$ 10,000,693

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.

| | |
|--------------------------------------|--------------|
| Capital assets not being depreciated | 1,836,583 |
| Capital assets being depreciated | 196,982,619 |
| Accumulated depreciation | (49,145,097) |

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

| | |
|--|--------|
| Deferred inflows for property taxes receivable | 69,402 |
|--|--------|

Certain liabilities and deferred outflows of resources, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | |
|---|---------------|
| Bonds and notes payable | (115,495,529) |
| Accrued interest on bonds and notes payable | (900,366) |
| Compensated absences | (377,963) |
| Unamortized bond premiums | (6,242,902) |
| Deferred loss on bond refunding, net | 267,933 |
| Estimated claims liability | (68,655) |

| | |
|---|----------------------|
| Net position of governmental activities | <u>\$ 36,926,718</u> |
|---|----------------------|

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, 2013

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------|
| Revenues | | | |
| Local sources | \$ 21,569,026 | \$ 14,454,388 | \$ 36,023,414 |
| State sources | 54,312,935 | 180,982 | 54,493,917 |
| Federal sources | 1,593,337 | 1,259,421 | 2,852,758 |
| Total revenues | 77,475,298 | 15,894,791 | 93,370,089 |
| Expenditures | | | |
| Current: | | | |
| Instruction | 47,151,600 | - | 47,151,600 |
| Supporting services | 27,532,590 | - | 27,532,590 |
| Athletics | 1,365,382 | - | 1,365,382 |
| Community service | 2,285,926 | - | 2,285,926 |
| Bookstore | - | 12,272 | 12,272 |
| Food service | - | 2,783,665 | 2,783,665 |
| Debt service: | | | |
| Principal | 156,684 | 5,930,000 | 6,086,684 |
| Interest | 14,372 | 5,403,409 | 5,417,781 |
| Other | - | 52,528 | 52,528 |
| Capital outlay | - | 2,866,832 | 2,866,832 |
| Total expenditures | 78,506,554 | 17,048,706 | 95,555,260 |
| Revenues under expenditures | (1,031,256) | (1,153,915) | (2,185,171) |
| Other financing sources (uses) | | | |
| Issuance of long-term debt | 764,232 | 60,672 | 824,904 |
| Issuance of refunding debt | - | 3,480,000 | 3,480,000 |
| Payments to escrow agent | - | (3,533,314) | (3,533,314) |
| Proceeds from the sale of capital assets | 36,748 | - | 36,748 |
| Transfers in | 204,000 | 1,419,870 | 1,623,870 |
| Transfers out | - | (1,623,870) | (1,623,870) |
| Total other financing sources (uses) | 1,004,980 | (196,642) | 808,338 |
| Net changes in fund balances | (26,276) | (1,350,557) | (1,376,833) |
| Fund balances, beginning of year, as restated | 7,264,319 | 4,113,207 | 11,377,526 |
| Fund balances, end of year | \$ 7,238,043 | \$ 2,762,650 | \$ 10,000,693 |

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

PORTAGE PUBLIC SCHOOLS

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (1,376,833)

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.

| | |
|--------------------------------------|-------------|
| Capital assets purchased/constructed | 3,837,398 |
| Donated capital assets | 17,279 |
| Depreciation expense | (6,343,048) |

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.

| | |
|--|-----------|
| Proceeds from the sale of capital assets | (36,748) |
| Loss on disposal of capital assets | (418,391) |

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.

| | |
|---|-------|
| Change in deferred inflows of resources for property taxes receivable | 4,186 |
|---|-------|

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 position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | |
|---|-------------|
| Principal payments on long-term liabilities | 6,086,684 |
| Issuance of long-term debt | (4,304,904) |
| Payment to refunding bond escrow agent | 3,533,314 |

Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in the funds.

| | |
|---|----------|
| Change in accrued interest payable on bonds and notes | 39,363 |
| Change in compensated absences/severance benefits payable | 859,157 |
| Amortization of bond premiums | 352,196 |
| Amortization of deferred loss on bond refunding | (73,279) |
| Change in estimated claims liability | (25,622) |

Change in net position of governmental activities \$ 2,150,752

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, 2013

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|------------------------------------|--------------------|--------------------|--------------------|--|
| Revenues | | | | |
| Local sources | \$ 21,421,367 | \$ 21,596,574 | \$ 21,569,026 | \$ (27,548) |
| State sources | 52,051,200 | 54,316,162 | 54,312,935 | (3,227) |
| Federal sources | 1,627,493 | 1,787,142 | 1,593,337 | (193,805) |
| Total revenues | 75,100,060 | 77,699,878 | 77,475,298 | (224,580) |
| Expenditures | | | | |
| Instruction: | | | | |
| Basic program | 39,024,610 | 40,282,886 | 40,278,330 | (4,556) |
| Added needs | 6,508,413 | 6,919,155 | 6,756,386 | (162,769) |
| Adult and continuing education | 109,737 | 110,252 | 116,884 | 6,632 |
| Total instruction | 45,642,760 | 47,312,293 | 47,151,600 | (160,693) |
| Supporting services: | | | | |
| Pupil | 4,963,339 | 4,799,872 | 4,763,974 | (35,898) |
| Instructional staff | 4,074,309 | 4,389,677 | 4,263,708 | (125,969) |
| General administration | 473,178 | 773,538 | 610,131 | (163,407) |
| School administration | 3,936,070 | 4,249,485 | 4,221,497 | (27,988) |
| Business | 786,596 | 747,318 | 747,310 | (8) |
| Operations and maintenance | 7,686,112 | 7,502,923 | 7,440,175 | (62,748) |
| Transportation | 3,089,368 | 3,414,705 | 3,368,681 | (46,024) |
| Central support | 2,010,362 | 2,059,661 | 2,117,114 | 57,453 |
| Total supporting services | 27,019,334 | 27,937,179 | 27,532,590 | (404,589) |
| Athletics | 1,133,553 | 1,453,597 | 1,365,382 | (88,215) |
| Community service | 2,012,735 | 2,285,706 | 2,285,926 | 220 |
| Debt service: | | | | |
| Principal | 162,055 | 156,684 | 156,684 | - |
| Interest | 11,209 | 14,372 | 14,372 | - |
| Total debt service | 173,264 | 171,056 | 171,056 | - |
| Total expenditures | 75,981,646 | 79,159,831 | 78,506,554 | (653,277) |
| Revenues under expenditures | (881,586) | (1,459,953) | (1,031,256) | 428,697 |

continued...

PORTAGE PUBLIC SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2013

| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|--|
| Other financing sources | | | | |
| Issuance of long-term debt | \$ 106,573 | \$ 764,232 | \$ 764,232 | \$ - |
| Proceeds from the sale of capital assets | 50,000 | 45,000 | 36,748 | (8,252) |
| Transfers in | 241,000 | 204,000 | 204,000 | - |
| Total other financing sources | <u>397,573</u> | <u>1,013,232</u> | <u>1,004,980</u> | <u>(8,252)</u> |
| Net changes in fund balance | (484,013) | (446,721) | (26,276) | 420,445 |
| Fund balance, beginning of year, as restated | <u>7,264,319</u> | <u>7,264,319</u> | <u>7,264,319</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 6,780,306</u> | <u>\$ 6,817,598</u> | <u>\$ 7,238,043</u> | <u>\$ 420,445</u> |

concluded

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, 2013

Assets

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | <u>\$ 1,041,308</u> |
|---------------------------|---------------------|

Liabilities

| | |
|-----------------------|---------------------|
| Due to student groups | <u>\$ 1,041,308</u> |
|-----------------------|---------------------|

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

NOTES TO FINANCIAL STATEMENTS

PORTAGE PUBLIC SCHOOLS

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PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

1. 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.

Reporting Entity

The School District has followed the guidelines of the Governmental Accounting Standards Board’s Statements No. 14 and 39 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.

Government-Wide and Fund Financial Statements

The *government-wide financial statements* (i.e., the statement of net position 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, 2013.

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 school 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.

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.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

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, except for expenditure-driven grants which must be collected within one year. 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 school 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 fund:

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

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 or committed to expenditures for specified purposes. The School District's special revenue funds include bookstore and food service operations.

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

Capital Projects Funds are 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.

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.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and equity

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 money market funds.

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).

Receivables generally consist of amounts due from the State of Michigan for July and August State aid payments and amounts due from grantors for expenditures incurred under reimbursement-based grants (for which allowable expenditures were incurred as of year-end, but the funds had either not yet been requested or not yet been received). Management has estimated that any uncollectible receivables will be immaterial and, as such, no allowance for doubtful accounts has been recorded.

Inventory and prepaid items

General Fund inventories are stated at cost and consist primarily of textbooks, 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 when purchased in both the government-wide and fund financial statements. Reported inventories and prepaid items are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Capital assets

Capital assets, which include land, buildings, equipment, vehicles, and construction in progress, 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):

| | Years |
|----------------------------|-------|
| Land improvements | 10-20 |
| Buildings and improvements | 50 |
| Vehicles | 5-10 |
| Equipment | 5-20 |

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District reports deferred outflows of resources for its deferred loss on bond refundings. This amounts results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

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 fringe benefits.

Unearned revenue

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

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 Position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 60 of the end of the fiscal year are classified as deferred inflows of resources. Uncollected delinquent personal property taxes are written off after three years.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Fund balance

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education. A formal resolution of the Board of Education is required to establish, modify, or rescind a fund balance commitment. The District reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The authority to assign fund balance has not been delegated by the Board of Education, who retains this responsibility. Unassigned fund balance is the residual classification for the General Fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

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.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Sinking Fund

The Building and Site Sinking Fund records capital project activities funded with a 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.

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. During the year ended June 30, 2013, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| | Total Appropriations | Amount of Expenditures | Budget Variance |
|--|----------------------|------------------------|-----------------|
| General Fund | | | |
| Instruction - adult and continuing education | \$ 110,252 | \$ 116,884 | \$ 6,632 |
| Supporting services - central support | 2,059,661 | 2,117,114 | 57,453 |
| Community service | 2,285,706 | 2,285,926 | 220 |

3. DEPOSITS AND INVESTMENTS

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

Statement of Net Position

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 7,258,329 |
| Investments | 700,520 |

Statement of Fiduciary Assets and Liabilities

Agency Fund:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | <u>1,041,308</u> |
|---------------------------|------------------|

| | |
|--------------|----------------------------|
| Total | <u><u>\$ 9,000,157</u></u> |
|--------------|----------------------------|

Deposits and investments

| | |
|---|----------------|
| Cash on hand | \$ 2,420 |
| Bank deposits (checking accounts, savings accounts and CDs due within one year) | 8,297,217 |
| Investments | <u>700,520</u> |

| | |
|--------------|----------------------------|
| Total | <u><u>\$ 9,000,157</u></u> |
|--------------|----------------------------|

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Statutory authority

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

1. 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.
2. 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.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. 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.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. 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, \$6,688,797 of the School District's bank balance of \$8,457,515 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. 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. The School District's investments as of June 30, 2013 consisted of money market treasury funds.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

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 as 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. The School District’s investments of money market treasury funds are unrated.

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. The School District’s investments of money market treasury funds have no maturity dates.

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.

4. RECEIVABLES AND UNEARNED REVENUE

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

| | Total |
|--------------------|----------------------|
| Accounts | \$ 131,866 |
| Taxes | 79,548 |
| Intergovernmental: | |
| Federal | 246,327 |
| State | 10,580,545 |
| ISD (K/RESA) | 352,898 |
| Other | 174,601 |
| | <hr/> |
| Totals | <u>\$ 11,565,785</u> |

Of the amounts reported above, \$69,402 is not expected to be collected within one year.

The District reports unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unearned revenue reported in governmental funds were as follows:

| | |
|--|-------------------|
| Anticipated changes to State Aid for taxable value adjustments | \$ 108,388 |
| Grant funds received in advance of expenditure | 317,955 |
| Payments received for services net yet provided | 180,240 |
| Student lunch account balances | 48,221 |
| | <hr/> |
| Totals | <u>\$ 654,804</u> |

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was as follows:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|---|-----------------------|-----------------------|---------------------|--------------------|-----------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,436,282 | \$ - | \$ - | \$ - | \$ 1,436,282 |
| Assets not yet placed in service | 463,283 | - | - | (463,283) | - |
| Construction in progress | 1,239,163 | 400,301 | - | (1,239,163) | 400,301 |
| | <u>3,138,728</u> | <u>400,301</u> | <u>-</u> | <u>(1,702,446)</u> | <u>1,836,583</u> |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 13,058,313 | 522,060 | - | 39,319 | 13,619,692 |
| Buildings and improvements | 150,620,417 | 1,161,609 | (759,839) | - | 151,022,187 |
| Equipment | 26,683,943 | 1,004,396 | (3,048,205) | 1,663,127 | 26,303,261 |
| Vehicles | 5,271,168 | 766,311 | - | - | 6,037,479 |
| | <u>195,633,841</u> | <u>3,454,376</u> | <u>(3,808,044)</u> | <u>1,702,446</u> | <u>196,982,619</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (2,091,003) | (625,928) | - | - | (2,716,931) |
| Buildings and improvements | (27,486,743) | (2,803,739) | 385,395 | - | (29,905,087) |
| Equipment | (13,792,106) | (2,525,064) | 2,967,510 | - | (13,349,660) |
| Vehicles | (2,785,102) | (388,317) | - | - | (3,173,419) |
| | <u>(46,154,954)</u> | <u>(6,343,048)</u> | <u>3,352,905</u> | <u>-</u> | <u>(49,145,097)</u> |
| Total capital assets being depreciated, net | <u>149,478,887</u> | <u>(2,888,672)</u> | <u>(455,139)</u> | <u>1,702,446</u> | <u>147,837,522</u> |
| Governmental activities capital assets, net | <u>\$ 152,617,615</u> | <u>\$ (2,488,371)</u> | <u>\$ (455,139)</u> | <u>\$ -</u> | <u>\$ 149,674,105</u> |

For the year ended June 30, 2013, depreciation expense was charged to the functions/programs of the School District as follows:

| | |
|---|---------------------|
| Depreciation of governmental activities by function | |
| Instruction | \$ 1,531,126 |
| Supporting services | 1,566,779 |
| Community service | 13,011 |
| Athletics | 178,118 |
| Food service | 123,384 |
| Unallocated depreciation | <u>2,930,630</u> |
| Total depreciation expense | <u>\$ 6,343,048</u> |

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

The School District has active construction projects at year end. At June 30, 2013, the School District has commitments with contractors of approximately \$803,000.

6. PAYABLES

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

| | General Fund | Nonmajor Funds | Total |
|---|---------------------|-------------------|----------------------|
| Fund Financial Statements | | | |
| Trade accounts payable | \$ 407,559 | \$ 543,932 | \$ 951,491 |
| Salaries and withholdings payable | 5,108,858 | 2,857 | 5,111,715 |
| Accrued liabilities | 2,962,159 | 15,110 | 2,977,269 |
| Due to other governments | 148,384 | 2,965 | 151,349 |
| Total | \$ 8,626,960 | \$ 564,864 | 9,191,824 |
| Government-wide Financial Statements | | | |
| Accrued interest payable | | | 900,366 |
| Estimated claims liability | | | 68,655 |
| Total | | | \$ 10,160,845 |

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2013, interfund receivables and payables consisted of the following:

| | Due from Other Funds | Due to Other Funds |
|-----------------------------|----------------------|--------------------|
| General Fund | \$ 1,184 | \$ 74,395 |
| Nonmajor governmental funds | 177,688 | 104,477 |
| Total | \$ 178,872 | \$ 178,872 |

For the year ended June 30, 2013, interfund transfers consisted of the following:

| Transfers Out | Transfers In | | Totals |
|-----------------------------|--------------|----------------|--------------|
| | General Fund | Nonmajor Funds | |
| Nonmajor governmental funds | \$ 204,000 | \$ 1,419,870 | \$ 1,623,870 |

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.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

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, 2013, the School District transferred funds from the food service fund to the General Fund to recover indirect costs. The transfers made to the general fund from various debt service funds were made in order to reimburse the general fund for amounts transferred in the prior year to cover principal and interest payments on long-term debt, of which the related property tax millages were not sufficient.

8. LONG-TERM DEBT

Long-term debt and other obligations of the School District at June 30, 2013 are summarized as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|--------------------------------|-----------------------|---------------------|------------------------|-----------------------|---------------------|
| General obligation bonds | \$ 119,825,000 | \$ 3,480,000 | \$ (9,385,000) | \$ 113,920,000 | \$ 6,170,000 |
| Installment purchase contracts | 907,309 | 824,904 | (156,684) | 1,575,529 | 316,339 |
| | <u>120,732,309</u> | <u>4,304,904</u> | <u>(9,541,684)</u> | <u>115,495,529</u> | <u>6,486,339</u> |
| Unamortized bond premiums | 6,595,098 | - | (352,196) | 6,242,902 | 350,069 |
| Compensated absences | 397,120 | 215,288 | (234,445) | 377,963 | 162,714 |
| Severance benefits payable | 840,000 | - | (840,000) | - | - |
| Total long-term debt | \$ 128,564,527 | \$ 4,520,192 | \$ (10,968,325) | \$ 122,116,394 | \$ 6,999,122 |

General obligation bonds

2009 Refunding Bonds, \$17,530,000, due in annual installments of \$700,000 to \$2,770,000 through May 1, 2019, with interest at 3.15% payable semi-annually.

Purpose of issue: refunding of 1999 Refunding Bond Issue.

\$ 6,790,000

2008 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% payable semi-annually.

Purpose of issue: construction of new buildings, renovations, and re-equipping at all buildings.

105,280,000

2012 Refunding Bonds, \$3,480,000, due in annual installments of \$1,630,000 to

\$1,850,000 through May 1, 2014, with interest at 0.40% to 0.50%, payable semi-annually.

Purpose of issue: refunding of 2002 Building and Site Bonds.

1,850,000

Total

\$ 113,920,000

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Installment purchase contracts

| | |
|---|----------------------------|
| 2007 Purchase Agreement for Buses, \$162,184, due in annual installments of \$27,301 through July 15, 2013, including interest at 3.95%. | \$ 27,030 |
| 2011 Purchase Agreement for Buses, \$366,805, due in annual installments of \$61,134 through July 15, 2017, including interest at 2.70%. | 305,670 |
| 2012 Purchase Agreement for Buses, \$417,925, due in annual installments of \$83,585 through July 15, 2017, including interest at 1.99%. | 417,925 |
| 2012 Purchase Agreement for Passenger Vans, \$106,564, due in annual installments of \$21,313 through July 15, 2017, including interest at 1.99%. | 106,564 |
| 2012 Purchase Agreement for a Bus, \$106,573, due in annual installments of \$21,315 through July 15, 2017, including interest at 1.99%. | 106,573 |
| 2013 Purchase Agreement for a Food Service Truck, \$60,672, due in annual installments of \$10,112 through May 15, 2019, including interest at 1.74%. | 60,672 |
| 2013 Purchase Agreement for Buses, \$530,872, due in annual installments of \$88,479 through May 15, 2019, including interest at 1.74%. | 530,872 |
| 2013 Purchase Agreement for a Maintenance Van, \$20,223, due in annual installments of \$3,371 through May 15, 2019, including interest at 1.74%. | <u>20,223</u> |
| Total | <u>\$ 1,575,529</u> |

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

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|------------------------------|-----------------------------|------------------------------|
| 2014 | \$ 6,486,339 | \$ 5,299,182 | \$ 11,785,521 |
| 2015 | 6,239,307 | 5,144,924 | 11,384,231 |
| 2016 | 6,299,309 | 4,854,438 | 11,153,747 |
| 2017 | 6,589,306 | 4,561,877 | 11,151,183 |
| 2018 | 7,104,307 | 4,283,241 | 11,387,548 |
| 2019-2023 | 32,376,961 | 16,442,971 | 48,819,932 |
| 2024-2028 | 31,500,000 | 8,977,500 | 40,477,500 |
| 2029-2031 | <u>18,900,000</u> | <u>1,890,000</u> | <u>20,790,000</u> |
| Total | <u>\$ 115,495,529</u> | <u>\$ 51,454,133</u> | <u>\$ 166,949,662</u> |

Installment purchase contracts (excluding the food service truck), compensated absences and the severance benefits are generally liquidated by the General Fund. The food service truck installment purchase contract will be liquidated by the Food Service special revenue fund.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Refunded and Defeased Debt

During fiscal year 2012, the District advance refunded \$3,455,000 of 2002 Building & Site Bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments of \$3,455,000 of refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. The defeased bonds were then called prior to year-end. The refunding resulted in a savings of \$205,986 and an economic gain of \$127,986.

9. FUND BALANCE - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classified fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

| | General Fund | Nonmajor Governmental Funds | Total |
|--|---------------------|-----------------------------------|----------------------|
| Nonspendable: | | | |
| Inventory | \$ 48,055 | \$ 45,527 | \$ 93,582 |
| Prepaid items | 165,174 | 133,333 | 298,507 |
| Total nonspendable | <u>213,229</u> | <u>178,860</u> | <u>392,089</u> |
| Restricted for: | | | |
| Food service | - | 68,266 | 68,266 |
| Debt service | - | 502,537 | 502,537 |
| Capital projects | - | 2,012,987 | 2,012,987 |
| Total restricted | <u>-</u> | <u>2,583,790</u> | <u>2,583,790</u> |
| Assigned for: | | | |
| Subsequent year's budget deficit | 149,860 | - | 149,860 |
| Site-based building expenditures | 155,502 | - | 155,502 |
| Site ownership of athletics | 121,924 | - | 121,924 |
| Total assigned | <u>427,286</u> | <u>-</u> | <u>427,286</u> |
| Unassigned | <u>6,597,528</u> | <u>-</u> | <u>6,597,528</u> |
| Total fund balances - governmental funds | <u>\$ 7,238,043</u> | <u>\$ 2,762,650</u> | <u>\$ 10,000,693</u> |

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

10. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2013 is as follows:

| | Governmental Activities |
|---------------------------------------|-----------------------------|
| Capital assets: | |
| Capital assets not being depreciated | \$ 1,836,583 |
| Capital assets being depreciated, net | <u>147,837,522</u> |
| | <u>149,674,105</u> |
| Related debt: | |
| Total bonds and notes payable | 115,495,529 |
| Unamortized bond premium | 6,242,902 |
| Deferred loss on bond refunding, net | (267,933) |
| Less: unexpended bond proceeds | <u>(669,376)</u> |
| | <u>120,801,122</u> |
| Net investment in capital assets | <u><u>\$ 28,872,983</u></u> |

11. 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 School District, including property, general liability, automobile, and umbrella premium. Payments made for the year ended June 30, 2013, were approximately \$257,000. The contributions made by the School 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 exists, 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 \$495,000 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.

The School District was self-insured for dental and vision coverage for some employee groups on a pay-as-you-go basis through December 31, 2011. Effective January 1, 2012, the District purchased commercial insurance coverage for such benefits. At June 30, 2012, the claims run-off period for this self-insurance program had expired and no amounts remain outstanding.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Changes in the estimated claims liability for each of these insurance types is as follows:

| | Coverage Type | | Totals |
|------------------------------------|-------------------|-----------------------|------------|
| | Dental and Vision | Worker's Compensation | |
| Estimated liability, July 1, 2011 | \$ 15,767 | \$ 183,230 | \$ 198,997 |
| Estimated claims incurred | 55,867 | 410,190 | 466,057 |
| Claim payments | (71,634) | (537,561) | (609,195) |
| Estimated liability, June 30, 2012 | - | 55,859 | 55,859 |
| Estimated claims incurred | - | (94,510) | (94,510) |
| Claim payments | - | 112,818 | 112,818 |
| Estimated liability, June 30, 2013 | \$ - | \$ 74,167 | \$ 74,167 |

Of the above estimated claim liabilities, the School District records \$5,512 in accounts payable in the General Fund, as it represents a current liability. The balance of \$68,655 is accrued on the government-wide Statement of Net Position. 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.

12. 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 survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may 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 can be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

Funding policy

Defined Benefit Plans

Member contribution rates vary based on date of hire and certain voluntary elections. Member Investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9 percent of gross wages. Members first hired January 1, 1990 through June 30, 2008 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000. Basic Plan members make no contributions. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan which contains a defined contribution component. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. Basic 4% and MIP 7% members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the year ended June 30, 2013 as a percentage of payroll ranged from 20.96 to 25.39 percent.

Hybrid Plan

Effective February 1, 2013, members that initially enrolled in the defined benefit plan were provided the option to convert to a defined contribution plan. In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member received 4 percent employer contributions to a personal 401(k) account. Voluntary employee contributions are permitted in accordance with IRS guidelines. Employer contributions and earnings thereon vest based on the following schedule: 50 percent at 2 years of service, 75 percent at 3 years of service, and 100 percent at 4 years of service. Any voluntary contributions vest with the employee immediately. If a member participating in the hybrid plan retires with certain age and service requirements, he or she will receive a monthly pension based on compensation received before February 1, 2013.

Defined Contribution Plan

A member first enrolling in MPSERS on or after September 4, 2012 is automatically enrolled in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the hybrid plan as described above.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS under all retirement plans for the years ended June 30, 2013, 2012, and 2011 were approximately \$11,216,209, \$9,900,327, and \$8,557,471, respectively, equal to the required contributions for each year.

Other postemployment benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers through the monthly required contribution. 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 paid health benefit coverage (no payment if less than 21 years of service).

13. RETIREMENT INCENTIVE PLAN

Certain teachers, secretaries, and administrators of the School District have elected to participate in a retirement incentive program established by the School District for those meeting various eligibility requirements. The District deposits funds into a special pay plan created in accordance with Section 403b of the Internal Revenue Code (IRC) on behalf of the qualifying employee. The employee may utilize such funds in a manner specified by the special pay plan, which includes an option to purchase service credit to the extent permitted by MPSERS. The expenditures for this plan were \$117,127 for the year ended June 30, 2013. There was no outstanding long-term liability under this plan at year-end, as payments for current year retirements were made prior to June 30, 2013.

14. DEFERRED COMPENSATION PLAN

Pay for Performance Plan. The School District offers its administrators a pay for performance plan created in accordance with Section 457 of the IRC. Administrators participate in and vest in the plan based upon certain length of employment and evaluation criteria. Final payments are made in a lump sum distribution when the administrator retires or leaves the employment of the School District. The vested benefits of the pay for performance plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As such, these amounts do not represent liabilities of the School District and have not been recorded in the accompanying financial statements.

PORTAGE PUBLIC SCHOOLS

Notes to Financial Statements

15. RESTATEMENT

The District adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position of governmental activities decreased by \$942,681.

In addition, the District chose to correct the effect of misclassifying certain food service expenditures in the prior year totaling \$37,266 by increasing the beginning fund balance of the Food Service Fund and recording a corresponding decrease to beginning fund balance of the General Fund. There was no impact of this restatement on beginning net position of governmental activities.



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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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PORTAGE PUBLIC SCHOOLS

Nonmajor Governmental Funds

Special Revenue Funds

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

2002 Debt Service Fund - 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 Fund - This fund accounts for payments on the 2008 General Obligation Building and Site Bonds issued for construction, re-equipping, and renovations at all buildings.

2009 Debt Service Fund - This fund accounts for payments on the 2009 Refunding Bonds issued for refunding of the 1999 Bonds.

2012 Debt Service Fund - This fund accounts for payments on the 2012 Refunding Bonds issued for refunding of the 2002 Bonds.

Capital Projects Funds

Bond Construction 2008 #1 Fund - This fund accounts for expenditure of the 2008 Building and Site Bonds for voter-approved purposes.

Bond Construction 2008 #2 Fund - This fund accounts for expenditure of the 2008 Building and Site Bonds for voter-approved purposes.

Building and Site Sinking Fund - This fund accounts for proceeds from the sinking fund property tax millage and expenditures for allowable purposes as stated in the initial ballot language approved by the millage.

PORTAGE PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

| | Special Revenue | | Debt Service | |
|---|-----------------|-------------------|-------------------|-------------------|
| | Bookstore | Food Service | 2002 Debt Service | 2008 Debt Service |
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 223,523 | \$ - | \$ 194,274 |
| Investments | - | - | - | - |
| Accounts receivable | - | 853 | - | - |
| Taxes receivable | - | - | - | 27,442 |
| Due from other governments | - | 31,856 | - | - |
| Due from other funds | - | 70,370 | - | 61,584 |
| Inventory | - | 45,527 | - | - |
| Prepaids | - | 133,333 | - | - |
| Total assets | \$ - | \$ 505,462 | \$ - | \$ 283,300 |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 192,148 | \$ - | \$ - |
| Salaries and withholdings payable | - | 2,857 | - | - |
| Accrued liabilities | - | 15,110 | - | - |
| Due to other governments | - | - | - | 1,571 |
| Due to other funds | - | - | - | - |
| Unearned revenue | - | 48,221 | - | - |
| Total liabilities | - | 258,336 | - | 1,571 |
| Deferred inflows of resources | | | | |
| Unavailable revenue - property taxes | - | - | - | 22,067 |
| Fund balances | | | | |
| Nonspendable | - | 178,860 | - | - |
| Restricted | - | 68,266 | - | 259,662 |
| Total fund balances | - | 247,126 | - | 259,662 |
| Total liabilities, deferred inflows of resources and fund balances | \$ - | \$ 505,462 | \$ - | \$ 283,300 |

| Debt Service | | Capital Projects | | | Total |
|-------------------------|-------------------------|---------------------------------|---------------------------------|--------------------------------------|---------------------|
| 2009 Debt Service | 2012 Debt Service | Bond Construction 2008 #1 | Bond Construction 2008 #2 | Building and Site Sinking Fund | |
| \$ 134,063 | \$ 60,325 | \$ 402 | \$ 1,152 | \$ 1,766,556 | \$ 2,380,295 |
| - | - | 672,878 | 27,642 | - | 700,520 |
| - | - | - | - | - | 853 |
| 13,138 | 6,151 | - | - | 4,780 | 51,511 |
| - | - | - | - | - | 31,856 |
| 28,319 | 17,415 | - | - | - | 177,688 |
| - | - | - | - | - | 45,527 |
| - | - | - | - | - | 133,333 |
| <u>\$ 175,520</u> | <u>\$ 83,891</u> | <u>\$ 673,280</u> | <u>\$ 28,794</u> | <u>\$ 1,771,336</u> | <u>\$ 3,521,583</u> |
| \$ - | \$ - | \$ 23,284 | \$ 9,414 | \$ 319,086 | \$ 543,932 |
| - | - | - | - | - | 2,857 |
| - | - | - | - | - | 15,110 |
| 732 | 406 | - | - | 256 | 2,965 |
| - | - | - | - | 104,477 | 104,477 |
| - | - | - | - | - | 48,221 |
| <u>732</u> | <u>406</u> | <u>23,284</u> | <u>9,414</u> | <u>423,819</u> | <u>717,562</u> |
| <u>10,636</u> | <u>4,762</u> | <u>-</u> | <u>-</u> | <u>3,906</u> | <u>41,371</u> |
| - | - | - | - | - | 178,860 |
| <u>164,152</u> | <u>78,723</u> | <u>649,996</u> | <u>19,380</u> | <u>1,343,611</u> | <u>2,583,790</u> |
| <u>164,152</u> | <u>78,723</u> | <u>649,996</u> | <u>19,380</u> | <u>1,343,611</u> | <u>2,762,650</u> |
| <u>\$ 175,520</u> | <u>\$ 83,891</u> | <u>\$ 673,280</u> | <u>\$ 28,794</u> | <u>\$ 1,771,336</u> | <u>\$ 3,521,583</u> |

PORTAGE PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2013

| | Special Revenue | | Debt Service | |
|--|-----------------|-------------------|--------------------|-------------------|
| | Bookstore | Food Service | 2002 Debt Service | 2008 Debt Service |
| Revenues | | | | |
| Local sources | \$ 12,272 | \$ 1,450,856 | \$ 1,496,290 | \$ 6,943,066 |
| State sources | - | 180,982 | - | - |
| Federal sources | - | 1,259,421 | - | - |
| Total revenues | 12,272 | 2,891,259 | 1,496,290 | 6,943,066 |
| Expenditures | | | | |
| Current: | | | | |
| Bookstore | 12,272 | - | - | - |
| Food service | - | 2,783,665 | - | - |
| Debt service: | | | | |
| Principal | - | - | - | 1,550,000 |
| Interest | - | - | - | 5,093,525 |
| Other | - | - | 491 | 16,161 |
| Capital outlay | - | - | - | - |
| Total expenditures | 12,272 | 2,783,665 | 491 | 6,659,686 |
| Revenues over (under) expenditures | - | 107,594 | 1,495,799 | 283,380 |
| Other financing sources (uses) | | | | |
| Issuance of long-term debt | - | 60,672 | - | - |
| Issuance of refunding debt | - | - | - | - |
| Payments to escrow agent | - | - | (78,450) | - |
| Transfers in | - | - | - | - |
| Transfers out | - | (144,000) | (1,422,870) | (37,000) |
| Total other financing sources (uses) | - | (83,328) | (1,501,320) | (37,000) |
| Net change in fund balances | - | 24,266 | (5,521) | 246,380 |
| Fund balances, beginning of year, as restated | - | 222,860 | 5,521 | 13,282 |
| Fund balances, end of year | \$ - | \$ 247,126 | \$ - | \$ 259,662 |

| Debt Service | | Capital Projects | | | Total |
|-------------------------|-------------------------|---------------------------------|---------------------------------|--------------------------------------|---------------------|
| 2009 Debt Service | 2012 Debt Service | Bond Construction 2008 #1 | Bond Construction 2008 #2 | Building and Site Sinking Fund | |
| \$ 3,233,192 | \$ 298,294 | \$ 69 | \$ 4 | \$ 1,020,345 | \$ 14,454,388 |
| - | - | - | - | - | 180,982 |
| - | - | - | - | - | 1,259,421 |
| <u>3,233,192</u> | <u>298,294</u> | <u>69</u> | <u>4</u> | <u>1,020,345</u> | <u>15,894,791</u> |
| - | - | - | - | - | 12,272 |
| - | - | - | - | - | 2,783,665 |
| 2,750,000 | 1,630,000 | - | - | - | 5,930,000 |
| 300,510 | 9,374 | - | - | - | 5,403,409 |
| 8,055 | 25,203 | - | - | 2,618 | 52,528 |
| - | - | 954,046 | 53,465 | 1,859,321 | 2,866,832 |
| <u>3,058,565</u> | <u>1,664,577</u> | <u>954,046</u> | <u>53,465</u> | <u>1,861,939</u> | <u>17,048,706</u> |
| <u>174,627</u> | <u>(1,366,283)</u> | <u>(953,977)</u> | <u>(53,461)</u> | <u>(841,594)</u> | <u>(1,153,915)</u> |
| - | - | - | - | - | 60,672 |
| - | 3,480,000 | - | - | - | 3,480,000 |
| - | (3,454,864) | - | - | - | (3,533,314) |
| - | 1,419,870 | - | - | - | 1,419,870 |
| (20,000) | - | - | - | - | (1,623,870) |
| <u>(20,000)</u> | <u>1,445,006</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(196,642)</u> |
| 154,627 | 78,723 | (953,977) | (53,461) | (841,594) | (1,350,557) |
| 9,525 | - | 1,603,973 | 72,841 | 2,185,205 | 4,113,207 |
| <u>\$ 164,152</u> | <u>\$ 78,723</u> | <u>\$ 649,996</u> | <u>\$ 19,380</u> | <u>\$ 1,343,611</u> | <u>\$ 2,762,650</u> |

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, 2013

| | Bookstore | | |
|---|---------------|---------------|----------------------------------|
| | Final Budget | Actual | Actual Over (Under) Final Budget |
| Revenues | | | |
| Local sources | \$ 14,000 | \$ 12,272 | \$ (1,728) |
| State sources | - | - | - |
| Federal sources | - | - | - |
| Total revenues | <u>14,000</u> | <u>12,272</u> | <u>(1,728)</u> |
| Expenditures | | | |
| Current: | | | |
| Bookstore | 14,000 | 12,272 | (1,728) |
| Food service | - | - | - |
| Total expenditures | <u>14,000</u> | <u>12,272</u> | <u>(1,728)</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses) | | | |
| Issuance of long-term debt | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | - | - |
| Fund balances, beginning of year, as restated | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |



| Food Service | | |
|-------------------|-------------------|----------------------------------|
| Final Budget | Actual | Actual Over (Under) Final Budget |
| \$ 1,505,150 | \$ 1,450,856 | \$ (54,294) |
| 178,885 | 180,982 | 2,097 |
| <u>1,203,000</u> | <u>1,259,421</u> | <u>56,421</u> |
| | | |
| <u>2,887,035</u> | <u>2,891,259</u> | <u>4,224</u> |
| | | |
| - | - | - |
| <u>2,800,625</u> | <u>2,783,665</u> | <u>(16,960)</u> |
| | | |
| <u>2,800,625</u> | <u>2,783,665</u> | <u>(16,960)</u> |
| | | |
| <u>86,410</u> | <u>107,594</u> | <u>21,184</u> |
| | | |
| 60,672 | 60,672 | - |
| <u>(144,000)</u> | <u>(144,000)</u> | <u>-</u> |
| | | |
| <u>(83,328)</u> | <u>(83,328)</u> | <u>-</u> |
| | | |
| 3,082 | 24,266 | 21,184 |
| | | |
| <u>222,860</u> | <u>222,860</u> | <u>-</u> |
| | | |
| <u>\$ 225,942</u> | <u>\$ 247,126</u> | <u>\$ 21,184</u> |

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PORTAGE PUBLIC SCHOOLS

Agency Fund

Agency Fund - accounts for money held by the School District for various student groups and organizations. These funds are held in a fiduciary capacity only and are not subject to budgetary control by the Board of Education.

PORTAGE PUBLIC SCHOOLS

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2013

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---------------------------|----------------------|---------------------|---------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 383,074 | \$ 1,429,415 | \$ 771,181 | \$ 1,041,308 |
| Investments | 552,117 | - | 552,117 | - |
| Total assets | <u>\$ 935,191</u> | <u>\$ 1,429,415</u> | <u>\$ 1,323,298</u> | <u>\$ 1,041,308</u> |
| Liabilities | | | | |
| Due to student groups | <u>\$ 935,191</u> | <u>\$ 1,429,415</u> | <u>\$ 1,323,298</u> | <u>\$ 1,041,308</u> |

SUPPLEMENTARY INFORMATION

PORTAGE PUBLIC SCHOOLS

Schedule of Capital Assets Used in the Operation of Governmental Activities

June 30, 2013

| Building / Location | Land | Land Improvements | Buildings and Improvements |
|---|---------------------|----------------------|----------------------------|
| Amberly Elementary | \$ 19,600 | \$ 346,644 | \$ 2,647,225 |
| Angling Road Elementary | 23,600 | 173,936 | 3,018,234 |
| Central Elementary ¹ | 99,823 | 204,378 | 2,922,312 |
| Haverhill Elementary | 34,032 | 492,939 | 2,136,970 |
| Lake Center Elementary | 89,435 | 1,325,189 | 11,814,914 |
| Moorsbridge Elementary | - | 233,933 | 6,270,851 |
| 12th Street Elementary | 41,450 | 1,881,101 | 13,047,359 |
| Woodland Elementary | 54,670 | 559,343 | 3,604,253 |
| Central Middle School | - | 227,896 | 5,019,900 |
| North Middle School | - | 200,820 | 4,173,873 |
| West Middle School ² | 198,000 | 596,466 | 7,744,850 |
| Central High School ³ | 571,300 | 4,507,674 | 39,559,242 |
| Northern High School ⁴ | 201,588 | 2,506,134 | 40,641,027 |
| Community Education Center | - | 189,465 | 1,397,996 |
| Administration Building | 16,000 | 56,505 | 3,743,459 |
| Zylman Maintenance and Transportation Facility | 66,784 | 117,269 | 3,279,722 |
| South Westnedge Avenue | 20,000 | - | - |
| Total capital assets | \$ 1,436,282 | \$ 13,619,692 | \$ 151,022,187 |

¹ Land includes McCamley Field

² Land includes Moorsbridge Elementary

³ Land includes Central Middle School and Administration Building

⁴ Land includes North Middle School and Community Education Center

| Equipment | Vehicles | Construction in Progress | Total |
|----------------------|---------------------|-----------------------------|-----------------------|
| \$ 807,876 | \$ - | \$ - | \$ 3,821,345 |
| 708,291 | - | 16,717 | 3,940,778 |
| 682,388 | - | 8,756 | 3,917,657 |
| 785,256 | - | 26,615 | 3,475,812 |
| 1,421,430 | - | - | 14,650,968 |
| 838,158 | - | 52,860 | 7,395,802 |
| 1,036,579 | - | - | 16,006,489 |
| 874,017 | - | 10,526 | 5,102,809 |
| 1,510,028 | - | 8,920 | 6,766,744 |
| 1,383,626 | - | 12,444 | 5,770,763 |
| 1,599,745 | - | 114,225 | 10,253,286 |
| 3,875,075 | - | 23,838 | 48,537,129 |
| 5,335,870 | - | 88,832 | 48,773,451 |
| 623,550 | - | 36,568 | 2,247,579 |
| 4,406,018 | - | - | 8,221,982 |
| 415,354 | 6,037,479 | - | 9,916,608 |
| - | - | - | 20,000 |
| <u>\$ 26,303,261</u> | <u>\$ 6,037,479</u> | <u>\$ 400,301</u> | <u>\$ 198,819,202</u> |

PORTAGE PUBLIC SCHOOLS

Schedule of Bonded Indebtedness

June 30, 2013

| Year Ended June 30, | 2008 Debt Principal | 2009 Debt Principal | 2012 Debt Principal |
|------------------------|-------------------------|-------------------------|-------------------------|
| 2014 | \$ 1,550,000 | \$ 2,770,000 | \$ 1,850,000 |
| 2015 | 5,250,000 | 700,000 | - |
| 2016 | 5,260,000 | 750,000 | - |
| 2017 | 5,500,000 | 800,000 | - |
| 2018 | 5,960,000 | 855,000 | - |
| 2019 | 6,160,000 | 915,000 | - |
| 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 | - | - |
| Total | \$ 105,280,000 | \$ 6,790,000 | \$ 1,850,000 |
| 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 | 3.25%-5.25% | 3.15% | 0.40%-0.50% |
| Original issue | \$ 112,275,000 | \$ 17,530,000 | \$ 3,480,000 |

PORTAGE PUBLIC SCHOOLS

Schedule of Deposits and Investments

June 30, 2013

| | |
|--------------------------------------|---------------------|
| General Fund | |
| Petty Cash | \$ 2,400 |
| Checking and Savings Accounts: | |
| Bank of America Checking | 1,646,008 |
| CompOne Administrators Inc. Checking | 14,644 |
| Bank of America Savings | 270,230 |
| Chemical Bank Savings | 474,578 |
| Citizen's Bank Savings | 246,701 |
| Huntington Bank Savings | 753,124 |
| Michigan Commerce Bank Savings | 11,223 |
| Mercantile Bank Savings | 255,877 |
| JPMorgan Chase Bank Savings | 1,203,249 |
| Total General Fund | <u>4,878,034</u> |
| Special Revenue Funds | |
| Food Service Fund: | |
| Petty Cash | 20 |
| Checking and Savings Accounts: | |
| Bank of America | 201,486 |
| Flagstar Bank | 22,017 |
| Total Special Revenue Funds | <u>223,523</u> |
| Debt Service Funds | |
| Savings Accounts: | |
| Bank of America | 387,331 |
| Chemical Bank | 1,331 |
| Total Debt Service Funds | <u>388,662</u> |
| Capital Projects Funds | |
| Checking and Savings Accounts: | |
| Bank of America | 241,073 |
| JPMorgan Chase Bank Savings | 1,527,037 |
| Investments: | |
| Money Market Funds | 700,520 |
| Total Capital Projects Funds | <u>2,468,630</u> |
| Agency Fund | |
| Checking and Savings Accounts: | |
| Bank of America Bank | 291,308 |
| Huntington Bank Savings | 500,000 |
| Michigan Commerce Bank Savings | 250,000 |
| Total Agency Fund | <u>1,041,308</u> |
| Total All Funds | <u>\$ 9,000,157</u> |

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STATISTICAL SECTION

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PORTAGE PUBLIC SCHOOLS

Statistical Section Table of Contents

This part of the School District's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of Portage Public Schools.

| | | <u>Page</u> |
|--|---|-------------|
| Financial Trends Tables I - VII | These schedules contain trend information to help the reader understand and evaluate how the School District's financial condition, performance and well-being have changed over time. | 92 |
| Revenue Capacity Tables VIII - XII | These schedules contain information to help the reader assess the School District's ability to generate its most significant local revenue source, the property tax. | 108 |
| Debt Capacity Tables XIII - XVI | These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and its ability to issue additional debt in the future. | 118 |
| Demographic and Economic Information Tables XVII - XVIII | These schedules present various demographic and economic indicators to help the reader understand the environment within which the School District operates and how they affect the School District's financial activities. | 125 |
| Operating Information Tables XIX - XXI | These schedules contain information about the School District's operations and resources to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs. | 128 |

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

PORTAGE PUBLIC SCHOOLS

Net Position by Component Last Ten Fiscal Years

| Governmental Activities | Fiscal Year | | | |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Net investment in capital assets | <u>\$ 3,673,429</u> | <u>\$ 7,631,831</u> | <u>\$ 9,565,750</u> | <u>\$ 11,520,540</u> |
| Restricted | | | | |
| Food service | 505,050 | 478,031 | 531,246 | 692,947 |
| Debt service | 867,988 | 729,776 | 1,106,179 | 1,855,247 |
| Building and Site Sinking Fund | 243,231 | 119,233 | 391,446 | 325,678 |
| Total restricted | <u>1,616,269</u> | <u>1,327,040</u> | <u>2,028,871</u> | <u>2,873,872</u> |
| Unrestricted | <u>6,509,585</u> | <u>6,273,911</u> | <u>7,172,352</u> | <u>7,176,544</u> |
| Total primary government net position | <u><u>\$ 11,799,283</u></u> | <u><u>\$ 15,232,782</u></u> | <u><u>\$ 18,766,973</u></u> | <u><u>\$ 21,570,956</u></u> |

GASBs 63 and 65 were implemented for fiscal year ended June 30, 2013. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated retroactively.

Table I - Unaudited

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| <u>\$ 12,475,532</u> | <u>\$ 19,593,035</u> | <u>\$ 23,522,922</u> | <u>\$ 26,906,541</u> | <u>\$ 27,229,920</u> | <u>\$ 28,872,983</u> |
| 693,395 | 728,679 | 396,056 | 296,052 | 185,594 | 247,126 |
| 625,548 | 843,732 | 574,217 | - | - | - |
| 554,202 | 902,809 | 2,473,938 | 1,969,075 | 2,185,205 | 1,343,611 |
| <u>1,873,145</u> | <u>2,475,220</u> | <u>3,444,211</u> | <u>2,265,127</u> | <u>2,370,799</u> | <u>1,590,737</u> |
| <u>7,775,669</u> | <u>7,758,596</u> | <u>4,668,084</u> | <u>6,140,019</u> | <u>6,117,928</u> | <u>6,462,998</u> |
| <u>\$ 22,124,346</u> | <u>\$ 29,826,851</u> | <u>\$ 31,635,217</u> | <u>\$ 35,311,687</u> | <u>\$ 35,718,647</u> | <u>\$ 36,926,718</u> |

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Changes in Governmental Net Position

Last Ten Fiscal Years

| | Fiscal Year | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Expenses | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 40,969,953 | \$ 41,626,329 | \$ 44,442,474 | \$ 46,553,501 |
| Supporting services | 24,947,520 | 25,875,805 | 26,612,890 | 27,926,063 |
| Community service | 1,658,295 | 1,770,866 | 1,904,238 | 2,101,376 |
| Athletics | 1,464,972 | 1,440,323 | 1,425,479 | 1,506,012 |
| Bookstore | 44,239 | 42,578 | 35,810 | 33,048 |
| Food service | 2,011,293 | 2,196,763 | 2,348,868 | 2,420,686 |
| Interest on long-term debt | 2,312,053 | 2,154,940 | 2,104,053 | 1,979,060 |
| Unallocated depreciation | 814,932 | 794,824 | 941,422 | 833,760 |
| Total expenses | 74,223,257 | 75,902,428 | 79,815,234 | 83,353,506 |
| Program revenues | | | | |
| Charges for services: | | | | |
| Instruction | 537,325 | 570,716 | 580,144 | 197,849 |
| Supporting services | 83,517 | 298,253 | 302,542 | 252,291 |
| Community services | 1,730,950 | 1,976,416 | 2,099,323 | 2,186,748 |
| Athletics | 238,133 | 251,420 | 249,098 | 224,011 |
| Bookstore | 44,239 | 42,578 | 35,810 | 33,048 |
| Food service | 1,484,842 | 1,605,025 | 1,701,529 | 1,772,720 |
| Operating grants and contributions | 3,179,395 | 3,701,677 | 4,353,808 | 4,627,582 |
| Capital grants and contributions | - | - | 43,970 | - |
| Total program revenues | 7,298,401 | 8,446,085 | 9,366,224 | 9,294,249 |
| Net (expenses) revenues | (66,924,856) | (67,456,343) | (70,449,010) | (74,059,257) |
| General revenues | | | | |
| Property taxes, levied for general operations | 18,394,834 | 19,050,637 | 22,820,905 | 23,903,719 |
| Property taxes, levied for debt service and capital projects funds | 6,697,231 | 7,215,978 | 5,532,648 | 5,956,404 |
| Unrestricted school aid | 45,222,735 | 44,241,772 | 45,061,693 | 45,104,656 |
| Grants and contributions not restricted to specific programs | 29,689 | 35,492 | 81,114 | 106,894 |
| Unrestricted investment earnings | 227,189 | 345,963 | 524,186 | 731,481 |
| Gain on sale of capital assets | 7,088 | - | - | 1,060,086 |
| Total general revenues | 70,578,766 | 70,889,842 | 74,020,546 | 76,863,240 |
| Change in net position | \$ 3,653,910 | \$ 3,433,499 | \$ 3,571,536 | \$ 2,803,983 |

GASBs 63 and 65 were implemented for fiscal year ended June 30, 2013. This resulted in a change renaming net assets to net position and invested in capital assets, net of related debt to net investment in capital assets. As a result of implementation, bond issuance costs have been eliminated. Prior years were not restated retroactively.

Table II - Unaudited

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$ 46,342,039 | \$ 46,632,255 | \$ 48,575,075 | \$ 45,257,027 | \$ 44,651,186 | \$ 47,714,493 |
| 27,863,162 | 28,762,223 | 28,075,306 | 29,226,480 | 29,538,041 | 28,872,675 |
| 2,056,555 | 2,140,668 | 1,919,921 | 2,010,125 | 2,373,246 | 2,285,802 |
| 1,552,896 | 1,568,345 | 1,525,475 | 1,517,639 | 1,471,460 | 1,506,966 |
| 24,316 | 20,098 | 16,309 | 10,912 | 12,671 | 12,272 |
| 2,499,185 | 2,699,174 | 2,423,358 | 2,499,422 | 2,794,252 | 2,817,430 |
| 3,117,805 | 5,925,791 | 5,819,385 | 5,643,941 | 5,467,791 | 5,100,534 |
| 911,640 | 928,252 | 976,547 | 1,515,937 | 2,278,645 | 2,930,630 |
| <u>84,367,598</u> | <u>88,676,806</u> | <u>89,331,376</u> | <u>87,681,483</u> | <u>88,587,292</u> | <u>91,240,802</u> |
| 212,307 | 464,907 | 524,157 | 540,549 | 472,570 | 517,366 |
| 287,850 | 515,691 | 279,865 | 183,279 | 304,324 | 361,061 |
| 2,317,721 | 2,295,606 | 2,205,016 | 2,495,981 | 2,700,127 | 2,490,182 |
| 255,785 | 253,477 | 244,807 | 279,142 | 216,195 | 261,147 |
| 24,316 | 20,098 | 16,309 | 10,912 | 12,671 | 12,272 |
| 1,716,392 | 1,658,223 | 1,441,506 | 1,410,652 | 1,488,451 | 1,450,781 |
| 4,574,919 | 4,620,417 | 5,755,507 | 7,412,451 | 6,914,593 | 7,473,762 |
| 127,714 | 63,829 | 81,751 | 54,504 | 107,002 | 49,554 |
| <u>9,517,004</u> | <u>9,892,248</u> | <u>10,548,918</u> | <u>12,387,470</u> | <u>12,215,933</u> | <u>12,616,125</u> |
| <u>(74,850,594)</u> | <u>(78,784,558)</u> | <u>(78,782,458)</u> | <u>(75,294,013)</u> | <u>(76,371,359)</u> | <u>(78,624,677)</u> |
| 24,541,929 | 19,798,562 | 19,752,061 | 18,896,390 | 17,740,260 | 17,590,022 |
| 6,161,112 | 11,899,429 | 11,860,640 | 11,382,247 | 11,191,835 | 12,976,098 |
| 44,860,304 | 50,419,824 | 48,350,859 | 48,709,682 | 47,550,908 | 49,930,547 |
| 137,003 | 260,533 | 31,217 | 20,289 | 272,934 | 264,808 |
| (296,364) | 4,108,715 | 496,043 | 61,879 | 22,382 | 13,954 |
| - | - | - | - | - | - |
| <u>75,403,984</u> | <u>86,487,063</u> | <u>80,490,820</u> | <u>79,070,487</u> | <u>76,778,319</u> | <u>80,775,429</u> |
| <u>\$ 553,390</u> | <u>\$ 7,702,505</u> | <u>\$ 1,708,362</u> | <u>\$ 3,776,474</u> | <u>\$ 406,960</u> | <u>\$ 2,150,752</u> |

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

| | Fiscal Year | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 |
| General fund | | | | |
| Nonspendable: | | | | |
| Inventory | | | | |
| Prepays | | | | |
| Assigned for: | | | | |
| Site-based building expenditures | | | | |
| Site ownership of athletic revenues | | | | |
| Subsequent year's budget deficit | | | | |
| Copier purchases | | | | |
| Unassigned | | | | |
| Reserved for: | | | | |
| Inventory | \$ 54,815 | \$ 29,867 | \$ 320,392 | \$ 38,918 |
| Prepays | 125,931 | 118,103 | 158,471 | 184,577 |
| Unreserved: | | | | |
| Designated for: | | | | |
| Durant settlement-future programs | 155,055 | 1,040,847 | 1,069,907 | - |
| Site-based building expenditures | 151,056 | 143,545 | 154,796 | 148,152 |
| West Middle School HVAC System | - | - | 745,759 | - |
| Elementary school playground equipment | - | - | - | 442,325 |
| Subsequent year's budget | 914,852 | - | - | 310,043 |
| Undesignated | 5,127,265 | 5,306,189 | 5,150,965 | 5,937,531 |
| Total general fund | \$ 6,528,974 | \$ 6,638,551 | \$ 7,600,290 | \$ 7,061,546 |

¹ Portage Public Schools adopted GASB Statement No. 54 in fiscal year 2011. Previous years were not restated.

Table III - Unaudited

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2008 | 2009 | 2010 | 2011 ¹ | 2012 ¹ | 2013 ¹ |
| | | | \$ 21,858 | \$ 12,434 | \$ 48,055 |
| | | | 115,359 | 102,868 | 165,174 |
| | | | 143,912 | 145,601 | 155,502 |
| | | | 113,491 | 112,980 | 121,924 |
| | | | 278,639 | 223,110 | 149,860 |
| | | | - | 250,000 | - |
| | | | 7,184,999 | 6,454,592 | 6,597,528 |
| \$ 29,659 | \$ 299,048 | \$ 33,451 | | | |
| 199,696 | 218,122 | 99,706 | | | |
| - | - | - | | | |
| 166,285 | 175,779 | 135,878 | | | |
| - | - | - | | | |
| - | - | - | | | |
| 82,277 | 81,891 | 342,315 | | | |
| 6,300,429 | 5,603,079 | 5,919,225 | | | |
| <u>\$ 6,778,346</u> | <u>\$ 6,377,919</u> | <u>\$ 6,530,575</u> | <u>\$ 7,858,258</u> | <u>\$ 7,301,585</u> | <u>\$ 7,238,043</u> |

continued...

PORTAGE PUBLIC SCHOOLS

Fund Balances, Governmental Funds

Last Ten Fiscal Years

| | Fiscal Year | | | |
|-------------------------------------|----------------------|---------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| All other governmental funds | | | | |
| Nonspendable: | | | | |
| Inventory | | | | |
| Prepays | | | | |
| Restricted for: | | | | |
| Food service | | | | |
| Debt service | | | | |
| Capital projects | | | | |
| Reserved for: | | | | |
| Inventory | \$ 25,947 | \$ 30,590 | \$ 25,442 | \$ 26,811 |
| Prepays | - | - | - | - |
| Unreserved: | | | | |
| Designated for: | | | | |
| Special revenue funds: | | | | |
| Site ownership of athletics revenue | 128,937 | 103,469 | 82,822 | 80,677 |
| Subsequent year's budget | 21,947 | - | - | - |
| Food service equipment purchases | - | - | - | - |
| Undesignated, reported in: | | | | |
| Special revenue funds | 457,156 | 447,441 | 505,804 | 666,136 |
| Capital projects funds | 5,655,494 | 1,196,161 | 308,624 | 1,018,625 |
| Debt service funds | 867,988 | 1,133,652 | 1,504,709 | 2,115,306 |
| Total all other governmental funds | <u>\$ 7,157,469</u> | <u>\$ 2,911,313</u> | <u>\$ 2,427,401</u> | <u>\$ 3,907,555</u> |
| Total all funds | <u>\$ 13,686,443</u> | <u>\$ 9,549,864</u> | <u>\$ 10,027,691</u> | <u>\$ 10,969,101</u> |

¹ Portage Public Schools adopted GASB Statement No. 54 in fiscal year 2011. Previous years were not restated.

Table III - Unaudited

| Fiscal Year | | | | | |
|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| 2008 | 2009 | 2010 | 2011 ¹ | 2012 ¹ | 2013 ¹ |
| | | | \$ 36,674 | \$ 45,654 | \$ 45,527 |
| | | | 133,333 | - | 133,333 |
| | | | 126,045 | 139,940 | 68,266 |
| | | | 568,635 | 28,328 | 502,537 |
| | | | 11,983,596 | 3,862,019 | 2,012,987 |
| \$ 20,369 | \$ 29,429 | \$ 29,788 | | | |
| 6,248 | 151,475 | 150,180 | | | |
| 80,592 | 93,931 | 106,027 | | | |
| - | 188,374 | - | | | |
| - | 200,000 | 100,000 | | | |
| 666,778 | 160,876 | 116,268 | | | |
| 116,105,838 | 90,881,425 | 41,444,177 | | | |
| 2,742,310 | 1,932,208 | 1,577,638 | | | |
| <u>\$ 119,622,135</u> | <u>\$ 93,637,718</u> | <u>\$ 43,524,078</u> | <u>\$ 12,848,283</u> | <u>\$ 4,075,941</u> | <u>\$ 2,762,650</u> |
| <u>\$ 126,400,481</u> | <u>\$ 100,015,637</u> | <u>\$ 50,054,653</u> | <u>\$ 20,706,541</u> | <u>\$ 11,377,526</u> | <u>\$ 10,000,693</u> |

concluded

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years

| | Fiscal Year | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Revenues | | | | |
| Local revenue | \$29,545,576 | \$31,597,814 | \$34,496,207 | \$36,019,398 |
| State revenue | 46,957,989 | 46,120,834 | 46,787,647 | 46,999,617 |
| Federal revenue | 1,374,361 | 1,714,248 | 2,037,954 | 2,074,683 |
| Total revenues | 77,877,926 | 79,432,896 | 83,321,808 | 85,093,698 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 40,572,153 | 41,251,848 | 43,868,227 | 45,616,748 |
| Supporting services | 24,475,794 | 24,948,939 | 27,093,544 | 28,920,439 |
| Community service | 1,705,664 | 1,769,309 | 1,892,476 | 2,089,024 |
| Athletics | 1,364,108 | 1,357,237 | 1,401,534 | 1,379,004 |
| Bookstore | 44,239 | 42,578 | 35,810 | 33,048 |
| Food service | 2,069,951 | 2,295,092 | 2,368,429 | 2,411,378 |
| Debt service: | | | | |
| Principal | 3,724,687 | 3,961,696 | 2,544,317 | 2,790,856 |
| Interest | 2,338,092 | 2,168,927 | 2,107,826 | 2,101,179 |
| Bond issuance costs | - | - | - | - |
| Other | 8,735 | 10,963 | 1,764 | 4,097 |
| Capital outlay-facilities acquisition/construction | 5,792,968 | 5,840,356 | 1,955,403 | 459,820 |
| Total expenditures | 82,096,391 | 83,646,945 | 83,269,330 | 85,805,593 |
| Excess of revenues over (under) expenditures | (4,218,465) | (4,214,049) | 52,478 | (711,895) |
| Other financing sources (uses) | | | | |
| Issuance of long-term debt | 409,296 | 66,410 | 386,987 | 423,154 |
| Premium on the issuance of long-term debt | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Proceeds from the sale of capital assets | 38,910 | 11,060 | 38,362 | 1,267,496 |
| Transfers in | 2,847,882 | 2,830,601 | 1,182,389 | 1,243,597 |
| Transfers out | (2,847,882) | (2,830,601) | (1,182,389) | (1,243,597) |
| Total other financing sources (uses) | 448,206 | 77,470 | 425,349 | 1,690,650 |
| Net changes in fund balances | (3,770,259) | (4,136,579) | 477,827 | 978,755 |
| Fund balances, beginning of year | 17,456,702 | 13,686,443 | 9,549,864 | 10,027,691 |
| Prior period adjustment | - | - | - | (37,345) |
| Fund balances, beginning of year, as restated | 17,456,702 | 13,686,443 | 9,549,864 | 9,990,346 |
| Fund balances, end of year | \$13,686,443 | \$ 9,549,864 | \$10,027,691 | \$10,969,101 |
| Debt service as a percentage of noncapital expenditures | 8.02% | 7.46% | 5.71% | 5.87% |

Table IV - Unaudited

| Fiscal Year | | | | | |
|-----------------------|-----------------------|----------------------|---------------------|---------------------|---------------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$ 36,060,039 | \$ 41,519,738 | \$ 36,949,574 | \$35,490,241 | \$34,635,468 | \$36,023,414 |
| 46,762,996 | 49,208,274 | 48,033,134 | 49,776,555 | 51,332,401 | 54,493,917 |
| 2,076,938 | 5,659,105 | 5,993,969 | 6,151,747 | 2,957,844 | 2,852,758 |
| <u>84,899,973</u> | <u>96,387,117</u> | <u>90,976,677</u> | <u>91,418,543</u> | <u>88,925,713</u> | <u>93,370,089</u> |
| 45,710,135 | 46,013,947 | 45,761,039 | 45,283,877 | 44,481,564 | 47,151,600 |
| 27,715,218 | 28,081,301 | 26,686,177 | 27,161,735 | 28,056,708 | 27,532,590 |
| 2,029,033 | 2,117,584 | 1,936,181 | 2,287,725 | 1,330,979 | 1,365,382 |
| 1,436,123 | 1,445,957 | 1,436,046 | 1,394,155 | 2,347,677 | 2,285,926 |
| 24,316 | 20,098 | 16,309 | 10,912 | 12,671 | 12,272 |
| 2,472,933 | 2,687,632 | 2,761,762 | 2,598,741 | 2,739,356 | 2,783,665 |
| 3,662,462 | 4,682,602 | 5,307,340 | 5,503,123 | 5,757,054 | 6,086,684 |
| 1,356,633 | 7,246,028 | 6,157,337 | 5,932,130 | 5,749,429 | 5,417,781 |
| 1,047,229 | 134,776 | - | - | - | 24,686 |
| 11,483 | 6,193 | 5,754 | 37,367 | 10,382 | 27,842 |
| 4,555,005 | 30,611,593 | 50,934,219 | 30,622,947 | 8,587,486 | 2,866,832 |
| <u>90,020,570</u> | <u>123,047,711</u> | <u>141,002,164</u> | <u>120,832,712</u> | <u>99,073,306</u> | <u>95,555,260</u> |
| <u>(5,120,597)</u> | <u>(26,660,594)</u> | <u>(50,025,487)</u> | <u>(29,414,169)</u> | <u>(10,147,593)</u> | <u>(2,185,171)</u> |
| 112,437,184 | 18,021,000 | - | - | 784,730 | 4,304,904 |
| 8,109,940 | - | - | - | - | - |
| - | (17,777,935) | - | - | - | (3,533,314) |
| 4,853 | 32,685 | 64,503 | 66,057 | 33,848 | 36,748 |
| 1,306,066 | 1,949,503 | 1,987,124 | 181,000 | 891,000 | 1,623,870 |
| <u>(1,306,066)</u> | <u>(1,949,503)</u> | <u>(1,987,124)</u> | <u>(181,000)</u> | <u>(891,000)</u> | <u>(1,623,870)</u> |
| <u>120,551,977</u> | <u>275,750</u> | <u>64,503</u> | <u>66,057</u> | <u>818,578</u> | <u>808,338</u> |
| <u>115,431,380</u> | <u>(26,384,844)</u> | <u>(49,960,984)</u> | <u>(29,348,112)</u> | <u>(9,329,015)</u> | <u>(1,376,833)</u> |
| 10,969,101 | 126,400,481 | 100,015,637 | 50,054,653 | 20,706,541 | 11,377,526 |
| - | - | - | - | - | - |
| <u>10,969,101</u> | <u>126,400,481</u> | <u>100,015,637</u> | <u>50,054,653</u> | <u>20,706,541</u> | <u>11,377,526</u> |
| <u>\$ 126,400,481</u> | <u>\$ 100,015,637</u> | <u>\$ 50,054,653</u> | <u>\$20,706,541</u> | <u>\$11,377,526</u> | <u>\$10,000,693</u> |
| 5.97% | 12.92% | 12.86% | 12.70% | 12.70% | 12.55% |

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Summary of Government-wide Revenues

Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Charges for services | | | | |
| Instruction | \$ 537,325 | \$ 570,716 | \$ 580,144 | \$ 197,849 |
| Supporting services | 83,517 | 298,253 | 302,542 | 252,291 |
| Community service | 1,730,950 | 1,976,416 | 2,099,323 | 2,186,748 |
| Athletics | 238,133 | 251,420 | 249,098 | 224,011 |
| Bookstore | 44,239 | 42,578 | 35,810 | 33,048 |
| Food service | 1,484,842 | 1,605,025 | 1,701,529 | 1,772,720 |
| Total charges for services | 4,119,006 | 4,744,408 | 4,968,446 | 4,666,667 |
| Operating grants / contributions | | | | |
| Instruction | 1,766,475 | 2,050,007 | 2,188,509 | 2,464,528 |
| Supporting services | 685,115 | 838,586 | 1,160,687 | 1,088,642 |
| Athletics | - | - | 65,556 | 5,261 |
| Community service | 2,513 | - | - | - |
| Food service | 697,361 | 749,306 | 797,131 | 855,623 |
| Interest on long-term debt | 27,931 | 63,778 | 141,925 | 213,528 |
| Total operating grants / contributions | 3,179,395 | 3,701,677 | 4,353,808 | 4,627,582 |
| Capital grants / contributions | | | | |
| Instruction | - | - | - | - |
| Supporting services | - | - | - | - |
| Athletics | - | - | 43,970 | - |
| Community service | - | - | - | - |
| Total capital grants / contributions | - | - | 43,970 | - |
| General revenues | | | | |
| Property taxes | 25,092,065 | 26,266,615 | 28,353,553 | 29,860,123 |
| Unrestricted school aid | 45,222,735 | 44,241,772 | 45,061,693 | 45,104,656 |
| Grants and contributions not restricted to specific programs | 90,689 | 35,492 | 81,114 | 106,894 |
| Unrestricted investment earnings | 227,189 | 345,963 | 524,186 | 731,481 |
| Gain on sale of capital assets | 7,088 | - | - | 1,060,086 |
| Total general revenues | 70,639,766 | 70,889,842 | 74,020,546 | 76,863,240 |
| Total revenues | \$ 77,938,167 | \$ 79,335,927 | \$ 83,386,770 | \$ 86,157,489 |

Table V - Unaudited

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$ 212,307 | \$ 464,907 | \$ 524,157 | \$ 540,549 | \$ 472,570 | \$ 517,366 |
| 287,850 | 515,691 | 279,865 | 183,279 | 304,324 | 361,061 |
| 2,317,721 | 2,295,606 | 2,205,016 | 2,495,981 | 2,700,127 | 2,490,182 |
| 255,785 | 253,477 | 244,807 | 279,142 | 216,195 | 261,147 |
| 24,316 | 20,098 | 16,309 | 10,912 | 12,671 | 12,272 |
| 1,716,392 | 1,658,223 | 1,441,506 | 1,410,652 | 1,488,451 | 1,450,781 |
| 4,814,371 | 5,208,002 | 4,711,660 | 4,920,515 | 5,194,338 | 5,092,809 |
| 2,413,619 | 2,617,294 | 3,597,131 | 5,230,381 | 4,460,906 | 4,537,967 |
| 1,021,836 | 814,229 | 965,872 | 906,817 | 111,233 | 1,480,439 |
| 5,067 | 5,000 | 5,000 | - | 11,170 | 4,259 |
| - | - | - | - | - | - |
| 924,773 | 1,077,217 | 1,164,427 | 1,258,883 | 1,320,012 | 1,440,400 |
| 209,624 | 106,677 | 23,077 | 16,370 | 11,272 | 10,697 |
| 4,574,919 | 4,620,417 | 5,755,507 | 7,412,451 | 5,914,593 | 7,473,762 |
| 2,644 | 1,406 | 1,118 | 11,603 | 5,772 | 1,141 |
| 36,813 | 7,741 | 27,842 | 20,218 | 61,273 | 2,617 |
| 87,066 | 54,682 | 52,791 | 22,683 | 37,667 | 45,796 |
| 1,191 | - | - | - | 2,290 | - |
| 127,714 | 63,829 | 81,751 | 54,504 | 107,002 | 49,554 |
| 30,703,041 | 31,697,991 | 31,612,701 | 30,278,637 | 28,932,095 | 30,566,120 |
| 44,860,304 | 50,419,824 | 48,350,859 | 48,709,682 | 47,550,908 | 49,930,547 |
| 137,003 | 260,533 | 31,217 | 20,289 | 272,934 | 264,808 |
| (296,364) | 4,108,715 | 496,043 | 61,879 | 22,382 | 13,954 |
| - | - | - | - | - | - |
| 75,403,984 | 86,487,063 | 80,490,820 | 79,070,487 | 76,778,319 | 80,775,429 |
| \$ 84,920,988 | \$ 96,379,311 | \$ 91,039,738 | \$ 91,457,957 | \$ 87,994,252 | \$ 93,391,554 |

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Summary of Expenditures by Function, Governmental Funds Last Ten Fiscal Years

| | Fiscal Year | | | |
|---------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Expenditures | | | | |
| Instruction | \$ 40,572,153 | \$ 41,251,848 | \$ 43,868,227 | \$ 45,616,748 |
| Supporting services | 24,475,794 | 24,948,939 | 27,093,544 | 28,920,439 |
| Athletics | 1,364,108 | 1,357,237 | 1,401,534 | 1,379,004 |
| Community service | 1,705,664 | 1,769,309 | 1,892,476 | 2,089,024 |
| Bookstore | 44,239 | 42,578 | 35,810 | 33,048 |
| Food service | 2,069,951 | 2,295,092 | 2,368,429 | 2,411,378 |
| Debt service | 6,071,514 | 6,141,586 | 4,653,907 | 4,896,132 |
| Capital outlay | 5,792,968 | 5,840,356 | 1,955,403 | 459,820 |
| Total expenditures | <u>\$ 82,096,391</u> | <u>\$ 83,646,945</u> | <u>\$ 83,269,330</u> | <u>\$ 85,805,593</u> |

Table VI - Unaudited

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| \$ 45,710,135 | \$ 46,013,947 | \$ 45,761,039 | \$ 45,283,877 | \$ 44,481,564 | \$ 47,151,600 |
| 27,715,218 | 28,081,301 | 26,686,177 | 27,161,735 | 28,056,708 | 27,532,590 |
| 1,436,123 | 1,445,957 | 1,436,046 | 1,394,155 | 1,330,979 | 1,365,382 |
| 2,029,033 | 2,117,584 | 1,936,181 | 2,287,725 | 2,347,677 | 2,285,926 |
| 24,316 | 20,098 | 16,309 | 10,912 | 12,671 | 12,272 |
| 2,472,933 | 2,687,632 | 2,761,762 | 2,598,741 | 2,739,356 | 2,783,665 |
| 6,077,807 | 12,069,599 | 11,470,431 | 11,472,620 | 11,516,865 | 11,556,993 |
| 4,555,005 | 30,611,593 | 50,934,219 | 30,622,947 | 8,587,486 | 2,866,832 |
| <u>\$ 90,020,570</u> | <u>\$ 123,047,711</u> | <u>\$ 141,002,164</u> | <u>\$ 120,832,712</u> | <u>\$ 99,073,306</u> | <u>\$ 95,555,260</u> |

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Summary of Governmental Revenues and Other Financing Sources Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| General Fund | | | | |
| Property taxes | \$ 14,801,189 | \$ 15,874,318 | \$ 16,628,194 | \$ 17,611,160 |
| Other local sources | 2,631,059 | 3,312,466 | 3,871,522 | 3,827,342 |
| Intermediate sources | 3,197,519 | 3,102,212 | 6,236,225 | 6,266,629 |
| State sources | 46,852,696 | 46,016,677 | 46,676,102 | 46,879,550 |
| Federal sources | 782,294 | 1,069,101 | 1,352,371 | 1,339,127 |
| Proceeds from issuance of debt | 409,296 | 66,410 | 386,987 | 423,154 |
| Other financing sources | 99,910 | 95,494 | 129,736 | 1,362,916 |
| Total General Fund | 68,773,963 | 69,536,678 | 75,281,137 | 77,709,878 |
| Special revenue funds | | | | |
| Local | 1,769,902 | 1,905,663 | 2,049,932 | 2,082,997 |
| State | 105,294 | 104,157 | 111,545 | 120,067 |
| Federal | 592,066 | 645,147 | 685,583 | 735,556 |
| Incoming transfers | 1,146,657 | 1,080,349 | 1,090,789 | 1,147,587 |
| Issuance of long-term debt | - | - | - | - |
| Proceeds from the sale of capital assets | - | 2,150 | 226 | 590 |
| Total special revenue funds | 3,613,919 | 3,737,466 | 3,938,075 | 4,086,797 |
| Debt service funds | | | | |
| Property taxes | 3,982,140 | 4,234,508 | 4,466,660 | 4,730,022 |
| Interest and other | 235,030 | 119,865 | 175,614 | 330,923 |
| Issuance of long-term debt | - | - | - | - |
| Incoming transfers | 1,640,225 | 1,663,668 | - | - |
| Total debt service funds | 5,857,395 | 6,018,041 | 4,642,274 | 5,060,945 |
| Capital projects fund (building and site sinking fund) | | | | |
| Property taxes | 2,715,091 | 2,887,164 | 1,013,872 | 1,080,030 |
| Other local sources | 124,748 | 87,575 | 32,799 | 90,295 |
| Other financing sources | - | - | - | - |
| Total capital projects fund | 2,839,839 | 2,974,739 | 1,046,671 | 1,170,325 |
| Capital projects funds (construction funds) | | | | |
| Issuance of long-term debt | - | - | - | - |
| Premium on the issuance of long-term debt | - | - | - | - |
| Interest earnings | 88,898 | 74,043 | 21,389 | - |
| Change in fair value of securities | - | - | - | - |
| Incoming transfers | - | - | - | - |
| Total construction funds | 88,898 | 74,043 | 21,389 | - |
| Total revenues and other financing sources | \$ 81,174,014 | \$ 82,340,967 | \$ 84,929,546 | \$ 88,027,945 |

¹Reduction in property tax revenue due to levying only .5 mills in 2006, 2007, 2008, 2009, 2010, and 2011

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

Table VII - Unaudited

| | Fiscal Year | | | | |
|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$ 18,075,701 | \$ 13,295,916 | \$ 13,410,851 | \$ 12,834,926 | \$ 12,193,850 | \$ 11,998,709 |
| 3,821,484 | 3,377,503 | 2,980,532 | 3,577,044 | 3,944,818 | 4,014,706 |
| 6,522,259 | 6,620,904 | 6,462,475 | 6,219,904 | 5,784,786 | 5,555,611 |
| 46,672,950 | 49,039,970 | 47,855,718 | 49,622,689 | 51,170,920 | 54,312,935 |
| 1,242,209 | 4,750,187 | 5,006,956 | 5,046,732 | 1,799,313 | 1,593,337 |
| 162,184 | - | - | - | - | - |
| 200,696 | 213,685 | 243,934 | 238,216 | 999,386 | 1,004,980 |
| <u>76,697,483</u> | <u>77,298,165</u> | <u>75,960,466</u> | <u>77,539,511</u> | <u>75,893,073</u> | <u>78,480,278</u> |
| 2,102,051 | 2,153,773 | 1,749,810 | 1,422,927 | 1,502,365 | 1,463,128 |
| 90,046 | 168,304 | 177,416 | 153,866 | 161,481 | 180,982 |
| 834,729 | 908,918 | 987,013 | 1,105,015 | 1,158,531 | 1,259,421 |
| 1,110,223 | 1,153,790 | 1,157,487 | - | - | - |
| - | - | - | - | - | 60,672 |
| - | - | 1,569 | 8,841 | 192 | - |
| <u>4,137,049</u> | <u>4,384,785</u> | <u>4,073,295</u> | <u>2,690,649</u> | <u>2,822,569</u> | <u>2,964,203</u> |
| 4,941,124 | 10,667,013 | 10,561,329 | 10,125,546 | 10,005,159 | 11,869,520 |
| 289,648 | 157,503 | 145,658 | 143,910 | 87,637 | 101,322 |
| - | 17,530,000 | - | - | - | 3,480,000 |
| - | 614,713 | - | - | 710,000 | 1,419,870 |
| <u>5,230,772</u> | <u>28,969,229</u> | <u>10,706,987</u> | <u>10,269,456</u> | <u>10,802,796</u> | <u>16,870,712</u> |
| 1,121,606 | 1,165,572 | 1,163,060 | 1,115,068 | 1,096,473 | 1,015,953 |
| 80,258 | 110,827 | 23,268 | 24,206 | 19,897 | 4,392 |
| - | 491,000 | 648,637 | - | - | - |
| <u>1,201,864</u> | <u>1,767,399</u> | <u>1,834,965</u> | <u>1,139,274</u> | <u>1,116,370</u> | <u>1,020,345</u> |
| 112,275,000 | - | - | - | - | - |
| 8,109,940 | - | - | - | - | - |
| 666,334 | 1,842,313 | 902,134 | 145,155 | 483 | 73 |
| (1,560,426) | 2,128,414 | (449,543) | (118,445) | - | - |
| - | - | - | - | - | - |
| <u>119,490,848</u> | <u>3,970,727</u> | <u>452,591</u> | <u>26,710</u> | <u>483</u> | <u>73</u> |
| <u>\$ 206,758,016</u> | <u>\$ 116,390,305</u> | <u>\$ 93,028,304</u> | <u>\$ 91,665,600</u> | <u>\$ 90,635,291</u> | <u>\$ 99,335,611</u> |

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Assessed Taxable Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

| Tax Year | Taxable Value by Property Type | | | | | | |
|----------|--------------------------------|----------------|----------------|------------------|-------------------|----------------|---------------|
| | Real Property | | | | Personal Property | | |
| | Agricultural | Commercial | Industrial | Residential | Commercial | Industrial | Utility |
| 2003 | \$ 2,159,945 | \$ 318,044,215 | \$ 126,994,494 | \$ 1,043,586,564 | \$ 325,444,100 | N/A | N/A |
| 2004 | 2,117,836 | 334,748,951 | 142,936,522 | 1,112,844,638 | 335,166,669 | N/A | N/A |
| 2005 | 2,097,171 | 355,812,512 | 155,862,579 | 1,181,599,820 | 335,728,789 | N/A | N/A |
| 2006 | 1,436,794 | 378,597,527 | 166,436,576 | 1,267,536,089 | 317,196,749 | N/A | N/A |
| 2007 | 1,529,842 | 400,324,716 | 173,455,643 | 1,335,947,900 | 320,369,600 | N/A | N/A |
| 2008 | 1,597,913 | 413,633,993 | 177,106,003 | 1,357,887,679 | 73,613,400 | \$ 282,153,441 | \$ 27,692,385 |
| 2009 | 1,809,875 | 427,823,871 | 183,799,840 | 1,347,658,902 | 71,591,800 | 289,218,950 | 24,751,079 |
| 2010 | 1,803,617 | 435,344,985 | 139,304,570 | 1,306,645,780 | 67,559,100 | 270,556,300 | 22,498,500 |
| 2011 | 1,834,264 | 395,968,461 | 129,436,920 | 1,313,261,309 | 67,631,300 | 267,109,100 | 26,460,900 |
| 2012 | 1,883,775 | 379,076,556 | 134,759,721 | 1,325,396,562 | 68,213,600 | 300,942,100 | 27,347,700 |

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.

Until 2008 all personal property was included in non-homestead valuations. Beginning in 2008, all industrial personal property is included in the homestead tax base. While commercial personal property continues to be included in the non-homestead tax base, it is exempt from 12 mills of the 18 operating mills levied on non-homestead property only.

| Taxable Value by Property Type | | Taxable Valuation | | | Tax Rate (Mills) | | Assessment Percentage | Market Value |
|--------------------------------|---------------------|-------------------|----------------|-----------------|------------------|---------------|-----------------------|------------------|
| Renaissance Zone | Total Taxable Value | Homestead | Non-homestead | Total | Homestead | Non-homestead | | |
| \$ - | \$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 |
| (310,693) | 2,030,790,178 | 1,108,777,387 | 922,012,791 | 2,030,790,178 | 2.7000 | 20.7000 | 50% | 4,062,201,742 |
| (2,138,466) | 2,129,065,269 | 1,175,818,763 | 953,246,506 | 2,129,065,269 | 2.7000 | 20.7000 | 50% | 4,262,407,470 |
| (2,313,637) | 2,229,314,064 | 1,236,919,473 | 992,394,591 | 2,229,314,064 | 2.7000 | 20.7000 | 50% | 4,463,255,402 |
| (2,316,615) | 2,331,368,199 | 1,613,895,059 | 717,473,140 | 2,331,368,199 | 5.0400 | 23.0400 | 50% | 4,667,369,628 |
| (2,095,103) | 2,344,559,214 | 1,606,756,235 | 737,802,979 | 2,344,559,214 | 5.0400 | 23.0400 | 50% | 4,693,308,634 |
| (1,978,523) | 2,241,734,329 | 1,535,900,500 | 705,833,829 | 2,241,734,329 | 5.0400 | 23.0400 | 50% | 4,487,425,704 |
| (1,902,804) | 2,199,799,450 | 1,539,368,318 | 660,431,132 | 2,199,799,450 | 5.0400 | 23.0400 | 50% | 4,403,404,508 |
| (2,141,806) | 2,235,478,208 | 1,583,603,227 | 651,874,981 | 2,235,478,208 | 5.8000 | 23.8000 | 50% | 4,475,240,028 |

Source: Kalamazoo County Equalization Department

Department of Treasury Form L-4025 from every municipality in the School District

PORTAGE PUBLIC SCHOOLS

Summary of Property Tax Rates Levied on Property within the School District Last Ten Fiscal Years

| Tax Year | Fiscal Year | Millage Rates - Direct School District Taxes | | | | | | |
|-------------|----------------|--|-------------------------------|-------------------|------------------------------|--------------------|------------------|--------------------|
| | | Operating | | Debt ² | Sinking Fund ² | Total Direct Taxes | | State Education |
| | | Homestead | Non Homestead ¹ | | | Homestead | Non Homestead | |
| 2003 | 2004 | - | 18.0000 | 2.2000 | 1.5000 | 3.7000 | 21.7000 | 5.0000 |
| 2004 | 2005 | - | 18.0000 | 2.2000 | 1.5000 | 3.7000 | 21.7000 | 6.0000 |
| 2005 | 2006 | - | 18.0000 | 2.2000 | 0.5000 | 2.7000 | 20.7000 | 6.0000 |
| 2006 | 2007 | - | 18.0000 | 2.2000 | 0.5000 | 2.7000 | 20.7000 | 6.0000 |
| 2007 | 2008 | - | 18.0000 | 2.2000 | 0.5000 | 2.7000 | 20.7000 | 6.0000 |
| 2008 | 2009 | - | 18.0000 | 4.5400 | 0.5000 | 5.0400 | 23.0400 | 6.0000 |
| 2009 | 2010 | - | 18.0000 | 4.5400 | 0.5000 | 5.0400 | 23.0400 | 6.0000 |
| 2010 | 2011 | - | 18.0000 | 4.5400 | 0.5000 | 5.0400 | 23.0400 | 6.0000 |
| 2011 | 2012 | - | 18.0000 | 4.5400 | 0.5000 | 5.0400 | 23.0400 | 6.0000 |
| 2012 | 2013 | - | 18.0000 | 5.3000 | 0.5000 | 5.8000 | 23.8000 | 6.0000 |

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.

Overlapping Taxes

| Kalamazoo County | City of Portage | City of Kalamazoo | Pavilion Township | Texas Township | Kalamazoo Reg. Edu. Service Agency | Kalamazoo Valley Community College | Kalamazoo District Library | Portage District Library |
|------------------|-----------------|-------------------|-------------------|----------------|------------------------------------|------------------------------------|----------------------------|--------------------------|
| 6.1362 | 10.1442 | 21.9205 | 0.8635 | 0.8846 | 3.0416 | 2.8139 | 3.9583 | 1.4900 |
| 6.1362 | 10.1442 | 22.1405 | 0.8551 | 0.8741 | 3.0416 | 2.8135 | 3.9583 | 1.4900 |
| 6.1362 | 10.1442 | 22.1405 | 0.8516 | 0.8677 | 4.5416 | 2.8135 | 3.9583 | 1.4900 |
| 6.1362 | 10.1442 | 21.9049 | 0.8516 | 0.8583 | 4.5416 | 2.8135 | 3.9583 | 1.4900 |
| 6.3362 | 10.4892 | 21.8205 | 0.8516 | 0.8583 | 4.5416 | 2.8135 | 3.9583 | 1.4900 |
| 6.3312 | 10.6598 | 21.8205 | 0.8516 | 0.8583 | 4.8316 | 2.8135 | 3.9583 | 1.4900 |
| 6.7212 | 10.6598 | 20.8205 | 0.8516 | 0.8583 | 4.8316 | 2.8135 | 3.9583 | 1.5000 |
| 6.7412 | 10.7312 | 20.8205 | 0.8516 | 1.3583 | 4.8566 | 2.8135 | 3.9583 | 1.5000 |
| 6.7412 | 10.7312 | 20.8205 | 0.8516 | 1.3583 | 4.8566 | 2.8135 | 3.9583 | 1.5000 |
| 6.7596 | 10.7778 | 20.8205 | 0.8516 | 1.3853 | 4.8666 | 2.8135 | 3.9583 | 1.5000 |

Source: 2003-2012 Kalamazoo County Apportionment Reports

PORTAGE PUBLIC SCHOOLS

Summary of Property Tax Data Last Ten Fiscal Years

| Year Ended June 30 | Fiscal Year | | | |
|--|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 |
| Total tax levy | \$ 21,580,385 | \$ 23,060,966 | \$ 22,147,681 | \$ 23,512,228 |
| Current tax collections: | | | | |
| To March 1 | 21,163,053 | 22,594,758 | 21,772,490 | 22,341,701 |
| To June 30 | 21,498,421 | 22,965,700 | 22,108,725 | 23,446,699 |
| Percentages of collections: | | | | |
| Current to March 1 | 98.07% | 97.98% | 98.31% | 95.02% |
| Current to June 30 | 99.62% | 99.59% | 99.82% | 99.72% |
| Total delinquent property taxes, current year | \$ 417,332 | \$ 466,208 | \$ 38,955 | \$ 65,529 |
| Total delinquent property taxes, all years | 522,219 | 626,189 | 91,854 | 106,829 |
| Total delinquent taxes, current year as a percentage of tax levy | 1.93% | 2.02% | 0.18% | 0.28% |
| Total delinquent taxes, all years as a percentage of tax levy | 2.42% | 2.72% | 0.41% | 0.45% |

Table X - Unaudited

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$ 24,221,076 | \$ 25,088,133 | \$ 25,170,262 | \$ 24,102,811 | \$ 23,291,835 | \$ 24,857,657 |
| 23,628,952 | 24,327,784 | 24,360,688 | 23,382,345 | 22,651,938 | 24,089,319 |
| 24,138,431 | 25,045,606 | 25,133,522 | 24,070,153 | 23,257,025 | 24,829,511 |
| 97.56% | 96.97% | 96.78% | 97.01% | 97.25% | 96.91% |
| 99.66% | 99.83% | 99.85% | 99.86% | 99.85% | 99.89% |
| \$ 82,645 | \$ 42,527 | \$ 36,740 | \$ 32,658 | \$ 34,810 | \$ 28,146 |
| 127,058 | 49,049 | 64,548 | 72,901 | 72,901 | 69,403 |
| 0.34% | 0.17% | 0.15% | 0.14% | 0.15% | 0.11% |
| 0.52% | 0.20% | 0.26% | 0.30% | 0.31% | 0.28% |

Source: Portage Public Schools Audit Reports and accounting records

PORTAGE PUBLIC SCHOOLS

Principal Taxpayers

Current Year and Nine Years Ago

| Principal Taxpayers | Product/Service | 2012 Taxable Value | Rank | Percentage of Total Advalorem |
|---|---------------------------|-----------------------|------|-------------------------------------|
| Pfizer Inc. | Pharmaceuticals | \$ 354,247,606 | 1 | 15.83% |
| Stryker Medical/Stryker Instruments/ Stryker Corporation | Medical Equipment | 56,382,400 | 2 | 2.52% |
| Connecticut General Life Insurance | Retail Mall | 23,904,890 | 3 | 1.07% |
| Consumers Energy Company | Utility | 22,894,289 | 4 | 1.02% |
| Mann & Hummel Automotive Inc./ Mann & Hummel USA, Inc. | Injection Molded Plastics | 11,712,400 | 5 | 0.52% |
| Edward Rose Associates Inc. | Apartments | 10,416,000 | 6 | 0.47% |
| Meijer Inc. | Retail and Grocery | 9,634,949 | 7 | 0.43% |
| Southland Mall | Retail Mall | 7,753,500 | 8 | 0.35% |
| Bowers Manufacturing | Aluminum Fabricating | 5,896,000 | 9 | 0.26% |
| State Farm Mutual Auto Insurance Co. | Insurance | 5,891,600 | 10 | 0.26% |
| Portfolio One, LLC | Apartments | - | | 0.00% |
| Summit Polymers Inc. | Injection Molded Plastics | - | | 0.00% |
| Total | | \$ 508,733,634 | | 22.74% |

Table XI - Unaudited

| 2003 Taxable Value | Rank | Percentage of Total Advalorem |
|-----------------------|------|-------------------------------------|
| \$ 284,896,472 | 1 | 15.69% |
| 16,216,755 | 3 | 0.89% |
| - | | 0.00% |
| 16,097,067 | 4 | 0.89% |
| 9,380,000 | 6 | 0.52% |
| 11,364,298 | 5 | 0.63% |
| 8,838,030 | 7 | 0.49% |
| 6,724,087 | 9 | 0.37% |
| - | | 0.00% |
| 7,424,419 | 8 | 0.41% |
| 19,115,429 | 2 | 1.05% |
| 5,017,994 | 10 | 0.28% |
| <u>\$ 385,074,551</u> | | <u>21.20%</u> |

Source: City of Portage Assessor

Summary of State Aid Payments
Last Ten Fiscal Years

| June 30, | Blended Pupil Count | Foundation Grant Allow. Per Pupil | Total Foundation Grant Allow. | Less: 18 mills taxes levied on Non-homestead property | Total State-Aid Foundation Grant Pymts | Federal ARRA Stabilization Funds & Edu. Jobs Funds |
|----------|---------------------|-----------------------------------|-------------------------------|---|--|--|
| 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 | - |
| 2009 | 8,684 | 7,316 | 63,532,144 | 13,316,120 | 46,986,861 | 3,229,163 |
| 2010 | 8,591 | 7,162 ¹ | 61,528,742 | 13,450,178 | 45,643,512 | 2,435,052 |
| 2011 | 8,542 | 7,146 ¹ | 61,041,132 | 12,851,507 | 45,282,353 | 2,907,272 |
| 2012 | 8,645 | 7,316 ¹ | 63,246,820 | 12,220,844 | 50,881,723 | 144,253 |
| 2013 | 8,755 | 6,966 | 60,987,330 | 12,013,892 | 48,973,438 | - |

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.

¹The Foundation Grant for 2010, 2011 and 2012 includes a per pupil deduction of \$154, \$170, and \$300, respectively.

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

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PORTAGE PUBLIC SCHOOLS

Ratios of Outstanding Debt

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 |
|--------------------|--------------------------|---|-------------------------|-------------------------------|-------------------------------|
| 2004 | \$38,802,238 | \$ 867,989 | \$ 37,934,249 | \$ 1,410,056 | \$ 39,344,305 |
| 2005 | 35,168,207 | 1,133,653 | 34,034,554 | 1,148,801 | 35,183,355 |
| 2006 | 32,962,623 | 1,504,707 | 31,457,916 | 1,197,055 | 32,654,971 |
| 2007 | 30,575,000 | 2,115,306 | 28,459,694 | 1,216,976 | 29,676,670 |
| 2008 | 139,570,000 | 2,742,310 | 136,827,690 | 998,704 | 137,826,394 |
| 2009 | 135,675,000 | 1,932,208 | 133,742,792 | 840,096 | 134,582,888 |
| 2010 | 130,750,000 | 1,577,638 | 129,172,362 | 457,756 | 129,630,118 |
| 2011 | 125,420,000 | 568,635 | 124,851,365 | 284,633 | 125,135,998 |
| 2012 | 126,420,098 | 28,328 | 126,391,770 | 907,309 | 127,299,079 |
| 2013 | 120,162,902 | 502,537 | 119,660,365 | 1,575,529 | 121,235,894 |

¹ U.S. Department of Commerce, Bureau of the Census for 2002-2003 and 2012; Skanska USA Building Inc. Report for 2004-2008, adjusted for City of Portage Census updates for 2007-2013.

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

Table XIII - Unaudited

| Taxable Value | % of Net Bonded Debt to Taxable Value | Total Debt as % of Taxable Value | Estimated Population ¹ | Net General Bonded Debt per Capita | Total General Obligation Debt per Capita | Total General Obligation Debt Per Capita Income | % of Total General Obligation Debt to Personal Income |
|------------------|---------------------------------------|----------------------------------|-----------------------------------|------------------------------------|--|---|---|
| \$ 1,816,229,318 | 2.09% | 2.17% | 53,464 | \$ 710 | \$ 736 | \$ 1,275 | 2.38% |
| 1,927,814,616 | 1.77% | 1.83% | 54,980 | 619 | 640 | 1,109 | 2.02% |
| 2,048,844,271 | 1.54% | 1.59% | 54,980 | 572 | 594 | 1,018 | 1.85% |
| 2,131,203,735 | 1.34% | 1.39% | 54,856 | 519 | 541 | 878 | 1.60% |
| 2,231,627,701 | 6.13% | 6.18% | 55,686 | 2,457 | 2,475 | 4,013 | 7.21% |
| 2,333,684,814 | 5.73% | 5.77% | 56,095 | 2,384 | 2,399 | 3,813 | 6.80% |
| 2,346,654,317 | 5.50% | 5.52% | 56,121 | 2,302 | 2,310 | 3,776 | 6.73% |
| 2,243,712,852 | 5.56% | 5.58% | 56,441 | 2,212 | 2,217 | 3,607 | 6.39% |
| 2,201,702,254 | 5.74% | 5.78% | 56,441 | 2,239 | 2,255 | 3,510 | 6.22% |
| 2,237,620,014 | 5.35% | 5.42% | 56,441 | 2,120 | 2,148 | 3,233 | 5.73% |

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Table XIV - Unaudited

Schedule of Direct and Overlapping Debt
June 30, 2013

| | |
|--|------------------------------|
| Direct Debt | |
| 2008 School Building and Site Bonds (UTNQ) | \$ 111,522,902 |
| 2009 Refunding Bonds (UTNQ) | 6,790,000 |
| 2012 Refunding Bonds (UTNQ) | 1,850,000 |
| Installment purchase agreements | 1,575,529 |
| Total Direct Debt | <u><u>\$ 121,738,431</u></u> |

| | Net Tax | School District Share | |
|--|----------------|-----------------------|------------------------------|
| | Supported Debt | Percent ¹ | Amount |
| Overlapping debt | | | |
| Municipality: | | | |
| City of Kalamazoo | \$ 41,200,000 | 2.36% | \$ 972,320 |
| City of Portage | 75,910,000 | 97.46% | 73,981,886 |
| Pavilion Township | 362,544 | 13.61% | 49,342 |
| Texas Township | 34,000 | 32.24% | 10,962 |
| Kalamazoo County | 35,465,157 | 28.49% | 10,104,023 |
| Kalamazoo RESA | 18,125,000 | 30.91% | 5,602,438 |
| Kalamazoo District Library | 1,000,000 | 1.31% | 13,100 |
| Net overlapping debt | | | <u><u>90,734,071</u></u> |
| Total Direct and Net Overlapping Debt | | | <u><u>\$ 212,472,502</u></u> |

| | |
|---|-----------------|
| Ratios: | |
| 2012 state equalized valuation (SEV) | \$2,324,869,875 |
| 2012 taxable value (includes renaissance zone taxable value) | \$2,237,620,014 |
| 2012 true cash value (TCV) | \$4,475,240,028 |
| 2012 population estimate | 56,441 |
| Net direct debt | \$ 121,738,431 |
| Net direct and overlapping debt | \$ 212,472,502 |
| | |
| Per capita 2012 taxable value | \$ 39,645 |
| Per capita 2012 state equalized valuation | \$ 41,191 |
| Per capita 2012 true cash value | \$ 79,291 |
| Per capita direct debt | \$ 2,157 |
| Per capita direct and overlapping debt | \$ 3,765 |
| Percent net direct debt of 2012 taxable value | 5.44% |
| Percent net direct and overlapping debt of 2012 taxable value | 9.50% |
| Percent net direct debt of 2012 state equalized valuation | 5.24% |
| Percent net direct and overlapping debt of 2012 state equalized valuation | 9.14% |
| Percent net direct debt of 2012 true cash value | 2.72% |
| Percent net direct and overlapping debt of 2012 true cash value | 4.75% |

¹ The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the municipality's taxable value that is within the School District's boundaries and dividing it by the municipality's total taxable value.

Source: Michigan Municipal Advisory Council provided overlapping debt amounts.

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PORTAGE PUBLIC SCHOOLS

Computation of Legal Debt Margin Last Ten Fiscal Years

| Year Ended June 30, | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Calculation of debt limit | | | | |
| State equalized valuation (SEV) ¹ | | | | |
| December 31 | \$2,058,686,500 | \$2,179,642,478 | \$2,287,494,700 | \$2,391,695,678 |
| Statutory bonding limit - 15% ² | 308,802,975 | 326,946,372 | 343,124,205 | 358,754,352 |
| Calculation of debt subject to limit | | | | |
| General obligations bonds | | | | |
| Outstanding - June 30 | 38,802,238 | 35,168,207 | 32,962,623 | 30,575,000 |
| Less Debt not subject to Limit ² - | | | | |
| State Qualified Bonds | (2,460,000) | (1,740,000) | (900,000) | - |
| Net debt subject to limit | <u>36,342,238</u> | <u>33,428,207</u> | <u>32,062,623</u> | <u>30,575,000</u> |
| Legal debt margin | <u>\$ 256,957,163</u> | <u>\$ 272,460,737</u> | <u>\$ 293,518,165</u> | <u>\$ 311,061,582</u> |
| Net debt subject to limit as % of debt limit | 13.20% | 11.77% | 10.22% | 9.34% |

Table XV - Unaudited

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| \$2,476,438,650 | \$2,378,579,096 | \$2,522,446,430 | \$2,378,579,096 | \$2,305,619,950 | \$2,324,869,875 |
| 371,465,798 | 356,786,864 | 378,366,965 | 356,786,864 | 345,842,993 | 348,730,481 |
| 139,570,000 | 135,675,000 | 130,750,000 | 125,420,000 | 119,825,000 | 121,738,431 |
| - | - | - | - | - | - |
| 139,570,000 | 135,675,000 | 130,750,000 | 125,420,000 | 119,825,000 | 121,738,431 |
| <u>\$ 328,179,352</u> | <u>\$ 231,895,798</u> | <u>\$ 221,111,864</u> | <u>\$ 247,616,965</u> | <u>\$ 231,366,864</u> | <u>\$ 226,992,050</u> |
| 8.52% | 37.57% | 38.03% | 34.56% | 35.15% | 34.91% |

Sources:

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

² Section 1351(3) of Act 451, Public Acts of Michigan, 1976, as amended, provides that bonds not included in the computation of the legal debt margin are (1) any bond qualified under Article IX, Section 16, of the Michigan Constitution of 1963, and (2) deficit budget bonds authorized under Section 1356. In addition, Section 605 of Act 34, Public Acts of Michigan, 2001, as amended, provides, in relevant part, that debt evidenced by a refunding security shall not be deemed to be within any statutory or charter limitation of outstanding debt limit.

Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures
 Last Ten Fiscal Years

| Year Ended June 30, | Principal | Interest | Total Debt Service | Total Expenditures | Ratio of Debt Service to Total Expenditures |
|------------------------|--------------|--------------|--------------------------|-----------------------|--|
| 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% |
| 2009 | 4,035,000 | 7,211,960 | 11,246,960 | 123,047,711 | 9.14% |
| 2010 | 4,925,000 | 6,131,408 | 11,056,408 | 141,002,164 | 7.84% |
| 2011 | 5,330,000 | 5,914,710 | 11,244,710 | 120,832,712 | 9.31% |
| 2012 | 5,595,000 | 5,738,655 | 11,333,655 | 99,073,306 | 11.44% |
| 2013 | 5,930,000 | 5,403,409 | 11,333,409 | 95,555,260 | 11.86% |

Source: Portage Public Schools Audit Reports

Demographic and Economic Data

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 |
|-----------------------|--------------------------------------|-----------------------------|--------------------------------------|---|-----------------------------------|
| 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% |
| 2009 | 56,095 | 8,680 | 1,980,097 | 35,299 | 6.4% |
| 2010 | 56,121 | 8,573 | 1,926,858 | 34,334 | 10.0% |
| 2011 | 56,441 | 8,559 | 1,957,995 | 34,691 | 10.2% |
| 2012 | 56,441 | 8,658 | 2,046,776 | 36,264 | 8.9% |
| 2013 | 56,441 | 8,767 | 2,116,368 | 37,497 | 7.0% |

Sources:

¹U.S. Bureau of the Census; 2004-2007 Skanska USA Building Report, adjusted for City of Portage Census updates in 2007-2013.

²DS-4061-A Fall Membership Count

³ U.S. Department of Commerce, Bureau of Economic Analysis, BEAR Facts for Kalamazoo County, except for 2007-2013, 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

Principal Employers
Current Year and Nine Years Ago

| Employer ¹ | 2012/2013 Employees | Ranking | % of Total Employees | 2003/2004 Employees | Ranking | % of Total Employees |
|---------------------------------------|------------------------|---------|----------------------------|------------------------|---------|----------------------------|
| Bronson Healthcare System | 4,700 | 1 | 4% | 3,000 | 3 | 2% |
| Borgess Health Alliance Inc. | 4,334 | 2 | 4% | 2,410 | 6 | 2% |
| Western Michigan University | 4,162 | 3 | 4% | 2,887 | 5 | 2% |
| Pfizer Corporation | 3,000 | 4 | 3% | 6,100 | 1 | 5% |
| Stryker Corporation | 2,300 | 5 | 2% | 1,400 | 9 | 1% |
| PNC Bank | 2,000 | 6 | 2% | 2,922 | 4 | 2% |
| Kalamazoo Public Schools | 1,873 | 7 | 2% | 2,300 | 8 | 2% |
| Meijer, Inc. | 1,200 | 8 | 1% | 2,400 | 7 | 2% |
| Kalamazoo Valley Community College | 1,020 | 9 | 1% | - | - | 0% |
| Portage Public Schools | 949 | 10 | 1% | 1,173 | 10 | 1% |
| Schafer Bakeries | - | - | 0% | 4,000 | 2 | 3% |
| Total Principal Employers | <u><u>25,538</u></u> | | | <u><u>28,592</u></u> | | |
| Total Employment | <u><u>116,115</u></u> | | | <u><u>123,042</u></u> | | |

Sources: Kalamazoo County Chamber of Commerce (Southwest Michigan First), Harris Michigan Industrial and Services Directories, individual employers, Michigan Department of Labor and Economic Growth, 2012 and 2003

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

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PORTAGE PUBLIC SCHOOLS

Full-time Equivalent School District Employees Last Ten Fiscal Years

| Function/ program | Fiscal Year | | | | |
|------------------------|-----------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 |
| General government | | | | | |
| Instructional services | 568.26 | 564.81 | 575.13 | 577.75 | 564.97 |
| Supporting services | 336.49 | 335.78 | 336.57 | 337.11 | 325.76 |
| Community service | 52.50 | 9.50 | 9.50 | 10.50 | 9.50 |
| Athletics | 2.60 | 2.60 | 2.60 | 2.60 | 2.60 |
| Food service | 42.06 | 41.50 | 44.47 | 44.26 | 39.36 |
| Total | <u>1,001.91</u> | <u>954.19</u> | <u>968.27</u> | <u>972.22</u> | <u>942.19</u> |

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, playground and cafeteria supervisors, which were previously included in supporting services, community service and food service, respectively.

Table XIX - Unaudited

| 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------|---------------|---------------|---------------|---------------|
| 572.20 | 574.79 | 531.10 | 534.37 | 568.86 |
| 308.20 | 270.94 | 269.14 | 277.78 | 264.54 |
| 9.50 | 9.50 | 5.50 | 5.50 | 5.00 |
| 2.60 | 2.60 | 2.60 | 2.00 | 2.00 |
| 39.81 | 40.03 | 40.89 | 41.34 | 43.16 |
| <u>932.31</u> | <u>897.86</u> | <u>849.23</u> | <u>860.99</u> | <u>883.56</u> |

Sources: Portage Public Schools Human Resources Department
 Portage Public Schools Internal Budget Documentation

PORTAGE PUBLIC SCHOOLS

Operating Indicators

Last Ten Fiscal Years

| Year Ended June 30 | Enrollment ¹ | Governmental Funds Operating Expenditures ² | Cost per Pupil | Operating Revenues |
|-----------------------|-------------------------|--|----------------|-----------------------|
| 2004 | 9,147 | \$ 71,096,272 | \$ 7,773 | \$ 77,877,926 |
| 2005 | 9,048 | 72,952,664 | 8,063 | 79,432,896 |
| 2006 | 9,082 | 76,769,759 | 8,453 | 83,321,808 |
| 2007 | 8,868 | 80,540,686 | 9,082 | 85,093,698 |
| 2008 | 8,802 | 80,338,153 | 9,127 | 84,899,973 |
| 2009 | 8,766 | 81,822,763 | 9,334 | 96,387,117 |
| 2010 | 8,668 | 82,535,444 | 9,522 | 90,976,677 |
| 2011 | 8,648 | 80,521,605 | 9,311 | 91,418,543 |
| 2012 | 8,860 | 80,840,856 | 9,124 | 88,925,713 |
| 2013 | 9,443 | 83,209,638 | 8,812 | 93,370,089 |

¹Enrollment is September headcount; beginning in 2012, the District offered shared-time programs to non-public schools, and the headcount of those schools is included in the enrollment figures.

²Operating expenditures are total government-wide expenditures less interest on long-term debt and unallocated depreciation.

³Total teaching staff includes all instruction, pupil support, and instructional support

⁴Average teacher salary and pupil-teacher ratio is for basic instructional levels only.

Table XX - Unaudited

| Revenue per Pupil | Total Teaching Staff ³ | % of Students Qualifying for Free/Reduced Meals | Average Teacher Salary ⁴ | Pupil-Teacher Ratio ⁴ |
|-------------------|-----------------------------------|---|-------------------------------------|----------------------------------|
| \$ 8,514 | 583 | 15% | \$ 51,547 | 20 |
| 8,779 | 585 | 17% | 52,477 | 20 |
| 9,174 | 567 | 18% | 52,469 | 20 |
| 9,596 | 572 | 19% | 54,957 | 20 |
| 9,646 | 569 | 20% | 56,755 | 20 |
| 10,996 | 557 | 20% | 58,050 | 20 |
| 10,496 | 554 | 22% | 59,645 | 20 |
| 10,571 | 550 | 24% | 60,480 | 21 |
| 10,037 | 504 | 26% | 60,279 | 22 |
| 9,888 | 512 | 26% | 60,897 | 22 |

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

PORTAGE PUBLIC SCHOOLS

Capital Asset Information

Last Ten Fiscal Years

| Building | Fiscal Year | | | |
|----------------------------------|-------------|--------|--------|--------|
| | 2004 | 2005 | 2006 | 2007 |
| Elementary | | | | |
| Amberly (1960) | | | | |
| Acreage | 20 | 20 | 20 | 20 |
| Square feet | 75,957 | 75,957 | 75,957 | 75,957 |
| Capacity | 725 | 725 | 725 | 725 |
| Enrollment | 618 | 593 | 598 | 610 |
| Angling Road (1963) | | | | |
| Acreage | 12 | 12 | 12 | 12 |
| Square feet | 63,710 | 63,710 | 63,710 | 63,710 |
| Capacity | 550 | 550 | 550 | 550 |
| Enrollment | 434 | 431 | 422 | 407 |
| Central Elementary (1969) | | | | |
| Acreage ¹ | 48 | 48 | 48 | 48 |
| Square feet | 60,175 | 60,175 | 60,175 | 60,175 |
| Capacity | 500 | 500 | 500 | 500 |
| Enrollment | 398 | 389 | 414 | 414 |
| Haverhill (1962) | | | | |
| Acreage | 11 | 11 | 11 | 11 |
| Square feet | 57,098 | 57,098 | 57,098 | 57,098 |
| Capacity | 525 | 525 | 525 | 525 |
| Enrollment | 452 | 431 | 469 | 436 |
| Lake Center (1928) (2010) | | | | |
| Acreage | 12 | 12 | 12 | 12 |
| Square feet | 57,390 | 57,390 | 57,390 | 57,390 |
| Capacity | 625 | 625 | 625 | 625 |
| Enrollment | 537 | 532 | 540 | 597 |
| Moorsbridge (1994) | | | | |
| Acreage ² | - | - | - | - |
| Square feet | 66,868 | 66,868 | 66,868 | 66,868 |
| Capacity | 650 | 650 | 650 | 650 |
| Enrollment | 600 | 618 | 631 | 592 |

¹Site acreage includes McCamley Field

²Site acreage includes Moorsbridge Elementary

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

⁴Site acreage includes North Middle School and Community Education Center

⁵Includes 1 Multipurpose Building at each high school

⁶Enrollment for PEP included in individual buildings

Table XXI - Unaudited

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------|--------|--------|--------|--------|--------|
| 20 | 20 | 20 | 20 | 20 | 20 |
| 75,957 | 75,957 | 75,957 | 75,957 | 75,957 | 75,957 |
| 725 | 725 | 725 | 725 | 725 | 725 |
| 557 | 560 | 560 | 549 | 537 | 559 |
| 12 | 12 | 12 | 12 | 12 | 12 |
| 63,710 | 63,710 | 63,710 | 63,710 | 63,710 | 63,710 |
| 550 | 550 | 550 | 550 | 550 | 550 |
| 403 | 432 | 404 | 378 | 356 | 400 |
| 48 | 48 | 48 | 48 | 48 | 48 |
| 60,175 | 60,175 | 60,175 | 60,175 | 60,175 | 60,175 |
| 500 | 500 | 500 | 500 | 500 | 500 |
| 426 | 431 | 446 | 426 | 419 | 406 |
| 11 | 11 | 11 | 11 | 11 | 11 |
| 57,098 | 57,098 | 57,098 | 57,098 | 57,098 | 57,098 |
| 525 | 525 | 525 | 525 | 525 | 525 |
| 430 | 427 | 402 | 412 | 412 | 384 |
| 12 | 12 | 12 | 12 | 12 | 12 |
| 57,390 | 57,390 | 75,026 | 75,026 | 75,026 | 75,026 |
| 625 | 625 | 640 | 640 | 640 | 640 |
| 581 | 551 | 580 | 567 | 567 | 576 |
| - | - | - | - | - | - |
| 66,868 | 66,868 | 66,868 | 66,868 | 66,868 | 66,868 |
| 650 | 650 | 650 | 650 | 650 | 650 |
| 599 | 582 | 450 | 484 | 521 | 551 |

continued...

Sources:

- Portage Public Schools building blueprints
- Deyo/Stone Association Appraisal Report June 30, 2013
- September unofficial head count
- DS-4573, TMP Associates
- SM-4107 School Bus Inventory Report

PORTAGE PUBLIC SCHOOLS

Capital Asset Information

Last Ten Fiscal Years

| Building | Fiscal Year | | | |
|-------------------------------|-------------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 |
| Elementary (concluded) | | | | |
| 12th Street Elementary (2009) | | | | |
| Acreage | - | - | - | - |
| Square feet | - | - | - | - |
| Capacity | - | - | - | - |
| Enrollment | - | - | - | - |
| Woodland (1968) | | | | |
| Acreage | 9 | 9 | 9 | 9 |
| Square feet | 64,000 | 64,000 | 64,000 | 64,000 |
| Capacity | 575 | 575 | 575 | 575 |
| Enrollment | 472 | 466 | 485 | 469 |
| Middle | | | | |
| Central Middle (1957) | | | | |
| Acreage ³ | - | - | - | - |
| Square feet | 120,656 | 120,656 | 120,656 | 120,656 |
| Capacity | 788 | 788 | 788 | 788 |
| Enrollment | 739 | 744 | 713 | 663 |
| North Middle (1961) | | | | |
| Acreage ⁴ | - | - | - | - |
| Square feet | 147,640 | 147,640 | 147,640 | 147,640 |
| Capacity | 810 | 810 | 810 | 810 |
| Enrollment | 611 | 619 | 581 | 590 |
| West Middle (1972) | | | | |
| Acreage ² | 66 | 66 | 66 | 66 |
| Square feet | 128,159 | 128,159 | 128,159 | 128,159 |
| Capacity | 901 | 901 | 901 | 901 |
| Enrollment | 747 | 716 | 714 | 704 |
| High | | | | |
| Central High (1949) (2011) | | | | |
| Acreage ³ | 52 | 52 | 52 | 52 |
| Square feet ⁵ | 291,260 | 291,260 | 291,260 | 291,260 |
| Capacity | 1,446 | 1,446 | 1,446 | 1,446 |
| Enrollment | 1,499 | 1,494 | 1,491 | 1,466 |

¹Site acreage includes McCamley Field

²Site acreage includes Moorsbridge Elementary

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

⁴Site acreage includes North Middle School and Community Education Center

⁵Includes 1 Multipurpose Building at each high school

⁶Enrollment for PEP included in individual buildings

Table XXI - Unaudited

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------|---------|---------|---------|---------|----------|
| - | - | 56 | 55.9 | 55.9 | 55.9 |
| - | - | 72,000 | 75,634 | 75,634 | 75,634.0 |
| - | - | 640 | 640 | 640 | 640 |
| - | - | 513 | 572 | 610 | 593 |
| 9 | 9 | 9 | 9 | 9 | 9 |
| 64,000 | 64,000 | 64,000 | 64,000 | 64,000 | 64,000 |
| 575 | 575 | 575 | 575 | 575 | 575 |
| 455 | 486 | 413 | 399 | 406 | 422 |
| - | - | - | - | - | - |
| 120,656 | 120,656 | 120,656 | 120,656 | 120,656 | 120,656 |
| 788 | 788 | 788 | 788 | 788 | 788 |
| 679 | 699 | 697 | 715 | 701 | 702 |
| - | - | - | - | - | - |
| 147,640 | 147,640 | 147,640 | 147,640 | 147,640 | 147,640 |
| 810 | 810 | 810 | 810 | 810 | 810 |
| 581 | 587 | 635 | 613 | 623 | 592 |
| 66 | 66 | 66 | 66 | 66 | 66 |
| 128,159 | 128,159 | 128,159 | 128,159 | 128,159 | 128,159 |
| 901 | 901 | 901 | 901 | 901 | 901 |
| 705 | 691 | 682 | 650 | 687 | 685 |
| 52 | 53 | 53 | 53 | 53 | 53 |
| 291,260 | 291,260 | 291,260 | 291,260 | 285,489 | 285,489 |
| 1,446 | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 |
| 1,437 | 1,415 | 1,344 | 1,362 | 1,346 | 1,388 |

continued...

Sources:

- Portage Public Schools building blueprints
- Deyo/Stone Association Appraisal Report June 30, 2013
- September unofficial head count
- DS-4573, TMP Associates
- SM-4107 School Bus Inventory Report

PORTAGE PUBLIC SCHOOLS

Capital Asset Information

Last Ten Fiscal Years

| Building | Fiscal Year | | | |
|--|-------------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 |
| High (concluded) | | | | |
| Northern High (1965) | | | | |
| Acreage ⁴ | 86 | 86 | 86 | 86 |
| Square feet ⁵ | 295,401 | 295,401 | 296,001 | 296,001 |
| Capacity | 1,424 | 1,424 | 1,424 | 1,424 |
| Enrollment | 1,355 | 1,353 | 1,382 | 1,300 |
| Alternative School | | | | |
| Community Education Center (1951) | | | | |
| Acreage ⁴ | - | - | - | - |
| Square feet | 52,286 | 52,286 | 52,286 | 52,286 |
| Capacity | 276 | 276 | 276 | 276 |
| Enrollment | 245 | 231 | 224 | 220 |
| Other | | | | |
| Waylee Elementary/Technology and Training Center/ Administration (1955) | | | | |
| Acreage | 3 | 3 | 3 | 3 |
| Square feet | 52,780 | 52,780 | 52,780 | 52,780 |
| Capacity | 500 | 500 | 500 | 500 |
| Enrollment | 440 | 431 | 418 | 400 |
| Zylman Maintenance & Transportation Facility (2009) | | | | |
| Acreage ³ | - | - | - | - |
| Square feet | - | - | - | - |
| Number of garages | - | - | - | - |
| Number of buses | - | - | - | - |
| Maintenance (1988) and Grounds (1950) | | | | |
| Square feet | 16,340 | 16,340 | 16,340 | 16,340 |
| Administration (1922-2013) | | | | |
| Acreage ³ | - | - | - | - |
| Square feet | 49,816 | 49,816 | 49,816 | 49,816 |
| Capacity | 25 | 25 | 25 | 25 |
| Enrollment ⁶ | - | - | - | - |

¹Site acreage includes McCamley Field

²Site acreage includes Moorsbridge Elementary

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

⁴Site acreage includes North Middle School and Community Education Center

⁵Includes 1 Multipurpose Building at each high school

⁶Enrollment for PEP included in individual buildings

Table XXI - Unaudited

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------|---------|---------|---------|---------|---------|
| 86 | 87 | 87 | 87 | 87 | 87 |
| 296,001 | 296,001 | 296,001 | 336,001 | 336,001 | 336,001 |
| 1,424 | 1,424 | 1,424 | 1,424 | 1,424 | 1,424 |
| 1,347 | 1,308 | 1,286 | 1,291 | 1,327 | 1,383 |
| - | - | - | - | - | - |
| 52,286 | 52,286 | 52,286 | 52,286 | 52,286 | 52,286 |
| 276 | 276 | 276 | 276 | 276 | 276 |
| 204 | 233 | 256 | 230 | 252 | 185 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 52,780 | 52,780 | 52,780 | 52,780 | 52,780 | 52,780 |
| 500 | 500 | - | - | - | - |
| 398 | 364 | - | - | - | - |
| - | 13 | 12.5 | 12.5 | 12.5 | 12.5 |
| - | 46,394 | 46,394 | 46,394 | 46,394 | 46,394 |
| - | 2 | 2 | 2 | 3 | 3 |
| - | 60 | 62 | 62 | 62 | 65 |
| 16,340 | - | - | - | - | - |
| - | - | - | - | - | - |
| 49,816 | 49,816 | 49,816 | 49,816 | 49,816 | 49,816 |
| 25 | 25 | 25 | 25 | - | - |
| - | - | - | - | - | - |

continued...

Sources:

- Portage Public Schools building blueprints
- Deyo/Stone Association Appraisal Report June 30, 2013
- September unofficial head count
- DS-4573, TMP Associates
- SM-4107 School Bus Inventory Report

PORTAGE PUBLIC SCHOOLS

Capital Asset Information

Last Ten Fiscal Years

| Building | Fiscal Year | | | |
|--|-------------|--------|--------|--------|
| | 2004 | 2005 | 2006 | 2007 |
| Other (concluded) | | | | |
| Transportation and Central Receiving (1950-1970) | | | | |
| Square feet | 39,047 | 39,047 | 39,047 | 39,047 |
| Number of garages | 1 | 1 | 1 | 1 |
| Number of buses | 60 | 60 | 60 | 60 |
| Athletics | | | | |
| Football fields | 1 | 1 | 1 | 1 |
| Soccer fields | 2 | 2 | 2 | 2 |
| Running tracks | 7 | 7 | 7 | 7 |
| Baseball/softball diamonds | 13 | 13 | 13 | 13 |
| Swimming pools | 3 | 3 | 3 | 3 |
| Tennis courts | 3 | 3 | 3 | 3 |
| Playgrounds | 11 | 11 | 11 | 11 |
| Other Acreage | | | | |
| 12th Street | 55.9 | 55.9 | 55.9 | 55.9 |
| South Westnedge | 20 | 20 | 20 | 20 |
| West Centre Street | 38 | 38 | 38 | - |

¹Site acreage includes McCamley Field

²Site acreage includes Moorsbridge Elementary

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

⁴Site acreage includes North Middle School and Community Education Center

⁵Includes 1 Multipurpose Building at each high school

⁶Enrollment for PEP included in individual buildings

Table XXI - Unaudited

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------|------|------|------|------|-----------|
| 39,047 | - | - | - | - | - |
| 1 | - | - | - | - | - |
| 60 | - | - | - | - | - |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 7 | 7 | 7 | 6 | 6 | 6 |
| 13 | 13 | 13 | 13 | 13 | 13 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 11 | 11 | 11 | 11 | 11 | 11 |
| 55.9 | 55.9 | - | - | - | - |
| 20 | 20 | 20 | 20 | 20 | 20 |
| - | - | - | - | - | - |
| | | | | | concluded |

Sources:

- Portage Public Schools building blueprints
- Deyo/Stone Association Appraisal Report June 30, 2013
- September unofficial head count
- DS-4573, TMP Associates
- SM-4107 School Bus Inventory Report