

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

AUDIT REPORT  
OF  
PORTAGE TOWNSHIP SCHOOLS  
PORTER COUNTY, INDIANA  
July 1, 2005 to June 30, 2007



**FILED**  
03/31/2008



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David White Sharon Qualkenbush	07-01-05 to 01-08-06 01-09-06 to 06-30-08
Superintendent of Schools	Michael Berta	07-01-05 to 06-30-08
President of the School Board	Terry Hufford	01-01-05 to 12-31-08



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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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

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

TO: THE OFFICIALS OF THE PORTAGE TOWNSHIP SCHOOLS, PORTER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage Township Schools (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 11, 2008, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

February 11, 2008



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

TO: THE OFFICIALS OF THE PORTAGE TOWNSHIP SCHOOLS, PORTER COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage Township Schools (School Corporation), as of and for the years ended June 30, 2006 and 2007, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in items 2007-1 and 2007-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

February 11, 2008

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		Charges for Services	Operating Grants and Contributions	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 24,409,400	\$ -	\$ 227,468	\$ (24,181,932)
Support services	31,974,989	2,088,580	1,459,410	(28,426,999)
Community services	438,401	-	-	(438,401)
Nonprogrammed charges	10,288,157	-	-	(10,288,157)
Debt service	<u>13,403,967</u>	<u>-</u>	<u>-</u>	<u>(13,403,967)</u>
Total governmental activities	<u>\$ 80,514,914</u>	<u>\$ 2,088,580</u>	<u>\$ 1,686,878</u>	<u>(76,739,456)</u>
General receipts:				
Property taxes				13,691,448
Other local sources				6,783,332
State aid				34,924,886
Bonds and loans				5,908,927
Grants and contributions not restricted to specific programs				2,775,719
Sale of property, adjustments, and refunds				3,666,390
Investment earnings				<u>519,502</u>
Total general receipts				<u>68,270,204</u>
Change in net assets				(8,469,252)
Restated Net assets - beginning (Note III.D.)				<u>20,222,253</u>
Net assets - ending				<u>\$ 11,753,001</u>
<u>Assets</u>				
Cash and investments				\$ 7,639,728
Restricted assets:				
Cash and investments				<u>4,113,273</u>
Total assets				<u>\$ 11,753,001</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 14,139
Other purposes				4,099,134
Unrestricted				<u>7,639,728</u>
Total net assets				<u>\$ 11,753,001</u>

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

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Totals</u>
Governmental activities:				
Instruction	\$ 23,853,865	\$ -	\$ 218,746	\$ (23,635,119)
Support services	32,951,363	2,278,256	1,441,679	(29,231,428)
Community services	411,894	-	-	(411,894)
Nonprogrammed charges	11,265,342	-	-	(11,265,342)
Debt service	<u>12,173,289</u>	<u>-</u>	<u>-</u>	<u>(12,173,289)</u>
Total governmental activities	<u>\$ 80,655,753</u>	<u>\$ 2,278,256</u>	<u>\$ 1,660,425</u>	<u>(76,717,072)</u>
General receipts:				
Property taxes				23,150,079
Other local sources				6,377,095
State aid				32,744,127
Bonds and loans				16,487,451
Grants and contributions not restricted to specific programs				4,010,175
Sale of property, adjustments, and refunds				4,248,251
Investment earnings				<u>635,307</u>
Total general receipts				<u>87,652,485</u>
Change in net assets				10,935,413
Net assets - beginning				<u>11,753,001</u>
Net assets - ending				<u>\$ 22,688,414</u>
<u>Assets</u>				
Cash and investments				\$ 17,438,954
Restricted assets:				
Cash and investments				<u>5,249,460</u>
Total assets				<u>\$ 22,688,414</u>
<u>Net Assets</u>				
Restricted for:				
Debt service				\$ 477,635
Other purposes				4,771,825
Unrestricted				<u>17,438,954</u>
Total net assets				<u>\$ 22,688,414</u>

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

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2006

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 11,688,188	\$ 2,373,064	\$ -	\$ 2,547,968	\$ 3,393,416	\$ 249,990	\$ 2,737,731	\$ 22,990,357
Intermediate sources	35	-	-	-	-	-	-	35
State sources	35,032,912	-	-	-	-	-	1,150,839	36,183,751
Federal sources	52,804	-	-	-	-	-	3,150,929	3,203,733
Bonds and loans	5,038,621	-	-	-	870,306	-	-	5,908,927
Sale of property, adjustments and refunds	103,944	387,217	-	-	-	-	1,744,099	2,235,260
Interfund loans	800,000	300,000	-	80,000	-	-	3,300	1,183,300
<b>Total receipts</b>	<b><u>52,716,504</u></b>	<b><u>3,060,281</u></b>	<b><u>-</u></b>	<b><u>2,627,968</u></b>	<b><u>4,263,722</u></b>	<b><u>249,990</u></b>	<b><u>8,786,898</u></b>	<b><u>71,705,363</u></b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	23,278,186	-	-	-	-	-	1,131,214	24,409,400
Support services	17,506,225	3,702,844	672,696	-	4,134,134	350,000	5,609,090	31,974,989
Community services	377,469	-	-	-	-	-	60,932	438,401
Nonprogrammed charges	3,082,922	-	-	-	-	-	210,052	3,292,974
Debt services	6,235,203	-	-	4,947,734	1,515,292	-	705,738	13,403,967
Interfund loans	-	-	1,183,300	-	-	-	-	1,183,300
<b>Total disbursements</b>	<b><u>50,480,005</u></b>	<b><u>3,702,844</u></b>	<b><u>1,855,996</u></b>	<b><u>4,947,734</u></b>	<b><u>5,649,426</u></b>	<b><u>350,000</u></b>	<b><u>7,717,026</u></b>	<b><u>74,703,031</u></b>
Excess (deficiency) of receipts over disbursements	<u>2,236,499</u>	<u>(642,563)</u>	<u>(1,855,996)</u>	<u>(2,319,766)</u>	<u>(1,385,704)</u>	<u>(100,010)</u>	<u>1,069,872</u>	<u>(2,997,668)</u>
<b>Other financing sources (uses):</b>								
Transfers in	107,309	1,832	672,696	247,420	2,549	139	373	1,032,318
Transfers out	<u>(5,849,985)</u>	<u>(672,696)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,327)</u>	<u>(6,630,008)</u>
<b>Total other financing sources (uses)</b>	<b><u>(5,742,676)</u></b>	<b><u>(670,864)</u></b>	<b><u>672,696</u></b>	<b><u>247,420</u></b>	<b><u>2,549</u></b>	<b><u>139</u></b>	<b><u>(106,954)</u></b>	<b><u>(5,597,690)</u></b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(3,506,177)</u>	<u>(1,313,427)</u>	<u>(1,183,300)</u>	<u>(2,072,346)</u>	<u>(1,383,155)</u>	<u>(99,871)</u>	<u>962,918</u>	<u>(8,595,358)</u>
Restated Cash and investments - beginning (Note III.D.)	<u>5,433,767</u>	<u>1,690,802</u>	<u>4,918,061</u>	<u>2,086,442</u>	<u>1,728,920</u>	<u>186,034</u>	<u>205,199</u>	<u>16,249,225</u>
Cash and investments - ending	<u>\$ 1,927,590</u>	<u>\$ 377,375</u>	<u>\$ 3,734,761</u>	<u>\$ 14,096</u>	<u>\$ 345,765</u>	<u>\$ 86,163</u>	<u>\$ 1,168,117</u>	<u>7,653,867</u>
<b>Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:</b>								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								<u>4,099,134</u>
Net assets of governmental activities								<u>\$ 11,753,001</u>
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 1,927,590	\$ 377,375	\$ 3,734,761	\$ -	\$ 345,765	\$ 86,163	\$ 1,168,074	\$ 7,639,728
Restricted assets:								
Cash and investments	-	-	-	14,096	-	-	43	14,139
<b>Total cash and investment assets - ending</b>	<b><u>\$ 1,927,590</u></b>	<b><u>\$ 377,375</u></b>	<b><u>\$ 3,734,761</u></b>	<b><u>\$ 14,096</u></b>	<b><u>\$ 345,765</u></b>	<b><u>\$ 86,163</u></b>	<b><u>\$ 1,168,117</u></b>	<b><u>\$ 7,653,867</u></b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	\$ 14,096	\$ -	\$ -	\$ 43	\$ 14,139
Unrestricted	<u>1,927,590</u>	<u>377,375</u>	<u>3,734,761</u>	<u>-</u>	<u>345,765</u>	<u>86,163</u>	<u>1,168,074</u>	<u>7,639,728</u>
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 1,927,590</u></b>	<b><u>\$ 377,375</u></b>	<b><u>\$ 3,734,761</u></b>	<b><u>\$ 14,096</u></b>	<b><u>\$ 345,765</u></b>	<b><u>\$ 86,163</u></b>	<b><u>\$ 1,168,117</u></b>	<b><u>\$ 7,653,867</u></b>

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

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007

	General	Transportation Operating	Rainy Day	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
<b>Receipts:</b>								
Local sources	\$ 15,923,311	\$ 3,538,041	\$ -	\$ 3,491,638	\$ 5,772,925	\$ 487,910	\$ 3,098,784	\$ 32,312,609
State sources	32,877,531	-	-	-	-	-	2,268,220	35,145,751
Federal sources	52,703	-	-	-	-	-	3,216,271	3,268,974
Bonds and loans	10,844,759	1,485,000	-	1,367,692	1,955,000	-	835,000	16,487,451
Sale of property, adjustments and refunds	217,633	538,346	-	-	5,380	-	1,406,513	2,167,872
Interfund loans	500,000	500,000	3,163,553	1,655,160	900,000	434,042	70,551	7,223,306
<b>Total receipts</b>	<b>60,415,937</b>	<b>6,061,387</b>	<b>3,163,553</b>	<b>6,514,490</b>	<b>8,633,305</b>	<b>921,952</b>	<b>10,895,339</b>	<b>96,605,963</b>
<b>Disbursements:</b>								
<b>Current:</b>								
Instruction	22,763,773	-	-	-	-	-	1,090,092	23,853,865
Support services	16,346,808	3,716,581	439,340	-	4,731,390	448,634	7,268,610	32,951,363
Community services	343,177	-	-	-	-	-	68,717	411,894
Nonprogrammed charges	3,842,960	-	-	-	-	-	231,291	4,074,251
Debt services	4,590,799	-	-	5,493,723	870,306	-	1,218,461	12,173,289
Interfund loans	1,300,000	550,000	4,059,753	610,160	200,000	434,042	69,351	7,223,306
<b>Total disbursements</b>	<b>49,187,517</b>	<b>4,266,581</b>	<b>4,499,093</b>	<b>6,103,883</b>	<b>5,801,696</b>	<b>882,676</b>	<b>9,946,522</b>	<b>80,687,968</b>
Excess (deficiency) of receipts over disbursements	11,228,420	1,794,806	(1,335,540)	410,607	2,831,609	39,276	948,817	15,917,995
<b>Other financing sources (uses):</b>								
Transfers in	25,396	-	1,370,000	-	-	-	-	1,395,396
Transfers out	(5,655,273)	(670,000)	-	-	(700,000)	-	(25,396)	(7,050,669)
<b>Total other financing sources (uses)</b>	<b>(5,629,877)</b>	<b>(670,000)</b>	<b>1,370,000</b>	<b>-</b>	<b>(700,000)</b>	<b>-</b>	<b>(25,396)</b>	<b>(5,655,273)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,598,543	1,124,806	34,460	410,607	2,131,609	39,276	923,421	10,262,722
Cash and investments - beginning	1,927,590	377,375	3,734,761	14,096	345,765	86,163	1,168,117	7,653,867
Cash and investments - ending	\$ 7,526,133	\$ 1,502,181	\$ 3,769,221	\$ 424,703	\$ 2,477,374	\$ 125,439	\$ 2,091,538	17,916,589
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:								
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.								
								4,771,825
Net assets of governmental activities								\$ 22,688,414
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 7,526,133	\$ 1,502,181	\$ 3,769,221	\$ -	\$ 2,477,374	\$ 125,439	\$ 2,038,606	\$ 17,438,954
Restricted assets:								
Cash and investments	-	-	-	424,703	-	-	52,932	477,635
<b>Total cash and investment assets - ending</b>	<b>\$ 7,526,133</b>	<b>\$ 1,502,181</b>	<b>\$ 3,769,221</b>	<b>\$ 424,703</b>	<b>\$ 2,477,374</b>	<b>\$ 125,439</b>	<b>\$ 2,091,538</b>	<b>\$ 17,916,589</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
Debt service	\$ -	\$ -	\$ -	424,703	\$ -	\$ -	52,932	\$ 477,635
Unrestricted	7,526,133	1,502,181	3,769,221	-	2,477,374	125,439	2,038,606	17,438,954
<b>Total cash and investment fund balance - ending</b>	<b>\$ 7,526,133</b>	<b>\$ 1,502,181</b>	<b>\$ 3,769,221</b>	<b>\$ 424,703</b>	<b>\$ 2,477,374</b>	<b>\$ 125,439</b>	<b>\$ 2,091,538</b>	<b>\$ 17,916,589</b>

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

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS  
PROPRIETARY FUND  
For the Year Ended June 30, 2006

	<u>Internal Service Fund</u>
Operating receipts:	
Miscellaneous	\$ 1,523,599
Operating disbursements:	
Insurance claims and expense	<u>6,995,183</u>
Deficiency of operating receipts over operating disbursements	(5,471,584)
Transfers in	<u>5,597,690</u>
Change in net assets	126,106
Cash and investment fund balance - beginning	<u>3,973,028</u>
Cash and investment fund balance - ending	<u>\$ 4,099,134</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 4,099,134</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 4,099,134</u>

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

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES - CASH AND INVESTMENTS BASIS  
PROPRIETARY FUND  
For the Year Ended June 30, 2007

	<u>Internal Service Fund</u>
Operating receipts:	
Miscellaneous	\$ <u>2,208,509</u>
Operating disbursements:	
Insurance claims and expense	<u>7,191,091</u>
Deficiency of operating receipts over operating disbursements	(4,982,582)
Transfers in	<u>5,655,273</u>
Change in net assets	672,691
Cash and investment fund balance - beginning	<u>4,099,134</u>
Cash and investment fund balance - ending	<u>\$ 4,771,825</u>
<u>Cash and Investment Assets - Ending</u>	
Restricted assets:	
Cash and investments	<u>\$ 4,771,825</u>
<u>Cash and Investment Fund Balance - Ending</u>	
Restricted for:	
Other purposes	<u>\$ 4,771,825</u>

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

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
Additions:			
Contributions:			
Employer	\$ 8,000,000	\$ -	
Other	<u>-</u>	<u>85,273</u>	
Total contributions	<u>8,000,000</u>	<u>85,273</u>	
Investment earnings:			
Interest	<u>158,140</u>	<u>-</u>	
Total additions	<u>8,158,140</u>	<u>85,273</u>	
Deductions:			
Benefits	1,177,779	-	
Administrative and general	<u>-</u>	<u>103,768</u>	
Total deductions	<u>1,177,779</u>	<u>103,768</u>	
Excess (deficiency) of total additions over total deductions	6,980,361	(18,495)	
Restated Cash and investment fund balance - beginning (Note III.D.)	<u>3,637,328</u>	<u>70,614</u>	
Cash and investment fund balance - ending	<u>\$ 10,617,689</u>	<u>\$ 52,119</u>	
Net assets:			
Cash and investments	<u>\$ 10,617,689</u>	<u>\$ 52,119</u>	<u>\$ 108,965</u>
Total net assets - cash and investment basis held in trust	<u>\$ 10,617,689</u>	<u>\$ 52,119</u>	<u>\$ 108,965</u>

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

PORTAGE TOWNSHIP SCHOOLS  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Fund
Additions:			
Contributions:			
Other	\$ 6,427	\$ 155,844	
Investment earnings:			
Interest	252,747	-	
Total additions	259,174	155,844	
Deductions:			
Benefits	7,777,524	-	
Administrative and general	-	112,764	
Total deductions	7,777,524	112,764	
Excess (deficiency) of total additions over total deductions	(7,518,350)	43,080	
Cash and investment fund balance - beginning	10,617,689	52,119	
Cash and investment fund balance - ending	\$ 3,099,339	\$ 95,199	
Net assets:			
Cash and investments	\$ 3,099,339	\$ 95,199	\$ 100,699
Total net assets - cash and investment basis held in trust	\$ 3,099,339	\$ 95,199	\$ 100,699

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

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: Portage Township Schools

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

Joint Venture

The School Corporation, in conjunction with Duneland, Porter Township, Valparaiso Community, Union Township, East Porter County, and MSD Boone Township School Corporations, has created the Porter County Education Interlocal (Interlocal). The superintendent from each participating school corporation is a board member and responsible for approving the budget for the Interlocal, as well as, hiring personnel to run the operations and maintain the financial records of the Interlocal. The Interlocal was created to provide vocational, alternative, adult, and special education programs. Each participating school corporation is obligated by contract to remit its share of the costs of operations annually. The Interlocal's continued existence depends on continued funding by the participating school corporations, as well as grants. The School Corporation paid \$8,846,443, and \$10,588,644 for its share of costs of operations for the school years ended June 30, 2006, and June 30, 2007, respectively. The School Corporation is obligated for the debts of the Interlocal for \$1,008,488 for school year ended June 30, 2007. Complete financial statements for the Porter County Education Interlocal can be obtained from its office at 750 Ransom Road, Valparaiso, Indiana, 46385.

The School Corporation is a participant in the Northwest Indiana Public School Study Council (Study Council), a joint school services program established December 10, 1969, for the improvement of education and the study of problems and issues involved in public education. The Study Council is governed by a board composed of a member from each participating school corporation. The School Corporation pays \$1,000 annually to belong to the Study Council. Complete financial statements for the Study Council can be obtained from the Merrillville Community School Corporation, 6701 Delaware Street, Merrillville, Indiana, 46410.

The School Corporation is a participant in the Northwest Indiana Educational Services Center (Center), a joint services program established May 30, 1985, for the participating school corporations to cooperate and share programs such as curriculum development, instructional materials, needs assessment, computer utilization and in-service education. The Center operates under the authority of the Northwest Indiana Public School Study Council. The School Corporation provides funding based on Average Daily Membership, determined annually. Complete financial statements for the Center can be obtained from the Center's administrative offices, 2939 41<sup>st</sup> Avenue, Highland, Indiana, 46322.

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Related Organizations

The School Corporation's officials are also responsible for appointing the members of the boards of other organizations, but the School Corporation's accountability for these organizations does not extend beyond making the appointments. The School Corporation appoints the board members of the Portage High School West School Building Corporation and the Portage Township Multi-School Building Corporation. These Building Corporations were organized for the purpose of issuing bonds to finance various construction or reconstructing projects for the benefit of the School Corporation. These buildings and/or improvements are simultaneously leased to the School Corporation, at rental rates which will provide the funding to the building corporations in amounts sufficient to repay the bonds.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statements of Activities and Net Assets - Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

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

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted resolution.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for risks associated with medical benefits to employees.

The pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the needs as addressed by each individual donor.

The agency fund accounts for assets held by the School Corporation as an agent for various federal, state, private, and public organizations.

C. Measurement Focus and Basis of Accounting

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Property Taxes

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

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 to 12 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon separation of employment.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 10 days. Accumulated vacation leave is paid to employees through cash payments upon separation of employment.

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per year. Personal leave which is not used by the end of each school year is transferred to the accumulated sick leave balance.

4. Capital Assets

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

5. Long-Term Debt

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

6. Equity Classification

Government-Wide Statements

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

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

PORTAGE TOWNSHIP SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Cash and Investment Balance Deficits

At June 30, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
Adult Alternative Education	\$ 6,449	\$ -
Computer Consortium	112,448	10,788
Tech Prep TP5-91	1,551	-
Tech Prep TP6-91	-	8,648
Construction	245,203	-
Learning Center	12,421	-

PORTAGE TOWNSHIP SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2007, the bank balance held at First National Bank and Harris Bank in the amounts of \$2,339,560 and \$3,089,890, respectively, was uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-School Corporation's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of June 30, 2007, the School Corporation had the following investments:

Investment Type	Market Value
Money Market Fund	\$ 5,429,450

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the School Corporation to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct

PORTAGE TOWNSHIP SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the School Corporation's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments. At June 30, 2007, the School Corporation held investments in money market funds in the amount of \$5,429,450. Of these investments, \$5,429,450 was held by the counterparty's trust department or agent but not in the School Corporation's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Money Market Fund	\$ 5,429,450	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

School's Investments	
Standard and Poor's Rating	Market Money Fund
Unrated	\$ 5,429,450

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

Transfer To	Transfer From	2006	2007
General Fund	Other governmental funds	\$ 107,309	\$ 25,396
Transportation Operating Fund	General Fund	1,832	-
Rainy Day Fund	Transportation Operating Fund	672,696	670,000
	Capital Projects Fund	-	700,000
Debt Service Fund	General Fund	247,420	-
Capital Projects Funds	General Fund	2,549	-
School Bus Replacement Fund	General Fund	139	-
Other governmental funds	General Fund	355	-
	Other governmental funds	18	-
Internal Service Fund	General Fund	5,597,690	5,655,273
Totals		<u>\$ 6,630,008</u>	<u>\$ 7,050,669</u>

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

C. Short-Term Liabilities

1. Tax Anticipation Warrants

The School Corporation issues tax anticipation warrants for cash flow purposes in advance of property tax collections and/or state tuition support distributions, depositing the proceeds in the appropriate fund.

2. Other Short-Term Loans

The School Corporation uses short term loans between funds for current operating needs due to a delay in tax settlement distributions.

Short-term debt activity for the years ended June 30, 2006 and 2007, was as follows:

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Fiscal Year 2005-2006</u>	<u>Beginning Balance</u>	<u>Issued/ Draw</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Tax anticipation warrants	\$ 7,016,339	\$ 5,908,927	\$ 7,735,664	\$ 5,189,602
Short-term loans between funds	-	1,183,300	-	1,183,300
<b>Totals</b>	<u>\$ 7,016,339</u>	<u>\$ 7,092,227</u>	<u>\$ 7,735,664</u>	<u>\$ 6,372,902</u>
 <u>Fiscal Year 2006-2007</u>				
Tax anticipation warrants	\$ 5,189,602	\$ 16,487,451	\$ 5,449,506	\$16,227,547
Short-term loans between funds	1,183,300	4,059,753	3,163,553	2,079,500
<b>Totals</b>	<u>\$ 6,372,902</u>	<u>\$ 20,547,204</u>	<u>\$ 8,613,059</u>	<u>\$18,307,047</u>

D. Restatements and Reclassifications

For the year ended June 30, 2007, certain changes have been made to the financial statements to more appropriately reflect financial activity of the School Corporation. The following schedule presents a summary of restated beginning balances by opinion unit. Fund reclassification represents the reclassification of certain funds from one fund type to another.

<u>Opinion Unit</u>	<u>Balance as Reported June 30, 2005</u>	<u>Fund Reclassification</u>	<u>Balance as Restated July 1, 2005</u>
Fiduciary - private-purpose trust funds	\$ 46,237	\$ 24,377	\$ 70,614
Governmental funds:			
Fund Financial Statement	16,273,602	(24,377)	16,249,225
Government-Wide Financial Statement	20,246,630	(24,377)	20,222,253

IV. Other Information

A. Risk Management

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

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

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Medical Benefits to Employees, Retirees, and Dependents

The School Corporation has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$100,000 for noncertified and \$125,000 for certified personnel per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon historical trends in actual claims incurred and paid, which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into capital leases with Portage High School West School Building Corporation and Portage Township Multi-School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessors have been determined to be related parties of the School Corporation.

The school buildings and other improvements under the lease are included in the schedule of capital assets in the supplementary information of the School Corporation and the corresponding lease obligation has been included in the governmental activities in the schedule of long-term debt in the supplementary information of the School Corporation. Lease payments during the year totaled \$4,521,368.

C. Subsequent Events

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2007. Tax bills were mailed on December 14, 2007, for the spring and fall installments, normally due in May and November. The taxes were due and payable in one installment with a due date of January 11, 2008. Officials anticipate receipt of the taxes collected sometime in March 2008; however, some advances have already been received.

Adult Education Program Ceasing as of June 30, 2008

On November 26, 2007, the School Board approved a resolution concerning the operation of the Adult Education Program. The Portage Township Schools will cease administering and operating the Adult Education Program effective June 30, 2008, if full funding is not obtained from sources other than the School Corporation's General Fund.

Tax Anticipation Warrants

On November 26, 2007, the School Board approved to rollover the tax anticipation warrants due on December 31, 2007, except for \$1,900,000 in the General Fund and refinance the remaining balance of \$14,327,547.

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Passenger Bus Purchase

On November 26, 2007, the School Board approved the purchase of six 72-passenger buses from Kerlin Bus Sales for \$497,976.

D. Contingent Liabilities

The School Corporation has been named as a party in a few lawsuits for which the outcome cannot yet be determined. The cases have been referred to the School Corporation's liability insurance carrier and are being defended by counsel chosen by that carrier.

E. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 10 years of service for certified employee, and 20 years of service for a noncertified employee. Currently, 85 retirees meet these eligibility requirements. The School Corporation and retirees provide 90% and 10%, respectively, of these postemployment benefits. The School Corporation and retirees who were noncertified staff provide 80% and 20%, respectively, of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2007, disbursements of \$505,868 were recognized for postemployment benefits.

F. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 456,871
Interest on net pension obligation	(24,045)
Adjustment to annual required contribution	27,401
Annual pension cost	460,227
Contributions made	457,612
Increase in net pension obligation	2,615
Net pension obligation, beginning of year	(331,658)
Net pension obligation, end of year	\$ (329,043)
Contribution rates:	
School Corporation	6%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

PORTAGE TOWNSHIP SCHOOLS  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 338,487	131%	\$ (257,730)
	06-30-05	380,962	119%	(331,658)
	06-30-06	460,227	99%	(329,043)

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

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Teachers' Retirement Fund  
 150 West Market Street  
 Indianapolis, IN 46204  
 Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Plan members are required to contribute 3% of their salary, which is paid by the School Corporation, and the School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$709,948, \$629,119, and \$544,353, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

PORTAGE TOWNSHIP SCHOOLS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 8,279,699	\$ 8,474,918	\$ (195,219)	98%	\$ 7,391,689	(3%)
07-01-05	8,639,780	9,476,785	(837,005)	91%	7,670,358	(11%)
07-01-06	8,977,762	10,139,506	(1,161,744)	89%	7,742,180	(15%)

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006

	Special Education Preschool	Food Service	Textbook Rental	Adult Alternative Education	Safe Haven Grant	Tech Prep Anderson	Kostel Donation
<b>Receipts:</b>							
Local sources	\$ 25,648	\$ 1,536,044	\$ 553,115	\$ -	\$ -	\$ -	\$ 500
State sources	189,167	36,815	126,641	1,452	9,368	-	-
Federal sources	-	1,295,954	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>214,815</b>	<b>2,868,813</b>	<b>679,756</b>	<b>1,452</b>	<b>9,368</b>	<b>-</b>	<b>500</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	-	-	3,092	12,687	747	3,303
Support services	-	2,607,069	772,426	8,468	-	-	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	210,052	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>210,052</b>	<b>2,607,069</b>	<b>772,426</b>	<b>11,560</b>	<b>12,687</b>	<b>747</b>	<b>3,303</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>4,763</b>	<b>261,744</b>	<b>(92,670)</b>	<b>(10,108)</b>	<b>(3,319)</b>	<b>(747)</b>	<b>(2,803)</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(18)	-	(107,309)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(18)</b>	<b>-</b>	<b>(107,309)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>4,745</b>	<b>261,744</b>	<b>(199,979)</b>	<b>(10,108)</b>	<b>(3,319)</b>	<b>(747)</b>	<b>(2,803)</b>
<b>Cash and investments - beginning</b>	<b>133,903</b>	<b>(114,281)</b>	<b>772,146</b>	<b>3,659</b>	<b>23,497</b>	<b>747</b>	<b>7,339</b>
<b>Cash and investments - ending</b>	<b>\$ 138,648</b>	<b>\$ 147,463</b>	<b>\$ 572,167</b>	<b>\$ (6,449)</b>	<b>\$ 20,178</b>	<b>\$ -</b>	<b>\$ 4,536</b>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 138,648	\$ 147,463	\$ 572,167	\$ (6,449)	\$ 20,178	\$ -	\$ 4,536
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 138,648</b>	<b>\$ 147,463</b>	<b>\$ 572,167</b>	<b>\$ (6,449)</b>	<b>\$ 20,178</b>	<b>\$ -</b>	<b>\$ 4,536</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	138,648	147,463	572,167	(6,449)	20,178	-	4,536
<b>Total cash and investment fund balance - ending</b>	<b>\$ 138,648</b>	<b>\$ 147,463</b>	<b>\$ 572,167</b>	<b>\$ (6,449)</b>	<b>\$ 20,178</b>	<b>\$ -</b>	<b>\$ 4,536</b>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	Environmental Grant	Gifted Talented 2004/05	Gifted Talented 2005/06	Academic Improvement 98/99	Computer Consortium	Non-English Speaking
<b>Receipts:</b>						
Local sources	\$ 21,000	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	25,471	-	570,636	1,862
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>21,000</b>	<b>-</b>	<b>25,471</b>	<b>-</b>	<b>570,636</b>	<b>1,862</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	385	23,541	335	-	2,132
Support services	-	-	1,930	16	682,671	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>385</b>	<b>25,471</b>	<b>351</b>	<b>682,671</b>	<b>2,132</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>21,000</b>	<b>(385)</b>	<b>-</b>	<b>(351)</b>	<b>(112,035)</b>	<b>(270)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>21,000</b>	<b>(385)</b>	<b>-</b>	<b>(351)</b>	<b>(112,035)</b>	<b>(270)</b>
<b>Cash and investments - beginning</b>	<b>(21,000)</b>	<b>385</b>	<b>-</b>	<b>351</b>	<b>(413)</b>	<b>3,282</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (112,448)</b>	<b>\$ 3,012</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ (112,448)	\$ 3,012
<b>Restricted assets:</b>						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (112,448)</b>	<b>\$ 3,012</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	(112,448)	3,012
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (112,448)</b>	<b>\$ 3,012</b>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	School Technology	Technology Grant One	Performance Based Award	Professional Development Grant	Academy of Finance 2002 LP	Academy of Finance 2002 ML
<b>Receipts:</b>						
Local sources	\$ 135,429	\$ -	\$ -	\$ -	\$ -	\$ 3,000
State sources	-	3,761	-	92,110	-	-
Federal sources	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<u>135,429</u>	<u>3,761</u>	<u>-</u>	<u>92,110</u>	<u>-</u>	<u>3,000</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	1,645	85,774	119	2,608
Support services	156,494	130,718	-	2,860	-	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<u>156,494</u>	<u>130,718</u>	<u>1,645</u>	<u>88,634</u>	<u>119</u>	<u>2,608</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(21,065)</u>	<u>(126,957)</u>	<u>(1,645)</u>	<u>3,476</u>	<u>(119)</u>	<u>392</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(21,065)</u>	<u>(126,957)</u>	<u>(1,645)</u>	<u>3,476</u>	<u>(119)</u>	<u>392</u>
<b>Cash and investments - beginning</b>	<u>42,525</u>	<u>131,467</u>	<u>1,903</u>	<u>126,916</u>	<u>119</u>	<u>-</u>
<b>Cash and investments - ending</b>	<u>\$ 21,460</u>	<u>\$ 4,510</u>	<u>\$ 258</u>	<u>\$ 130,392</u>	<u>\$ -</u>	<u>\$ 392</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 21,460	\$ 4,510	\$ 258	\$ 130,392	\$ -	\$ 392
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 21,460</u>	<u>\$ 4,510</u>	<u>\$ 258</u>	<u>\$ 130,392</u>	<u>\$ -</u>	<u>\$ 392</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>21,460</u>	<u>4,510</u>	<u>258</u>	<u>130,392</u>	<u>-</u>	<u>392</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ 21,460</u>	<u>\$ 4,510</u>	<u>\$ 258</u>	<u>\$ 130,392</u>	<u>\$ -</u>	<u>\$ 392</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	Academy of Finance 2003 LP	Academy of Finance 2004 ML	School Improvement Saylor	School Improvement Saylor 2005	Title I 2004/05	Title I 2005/06
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	-	35,230	4,572	87,622	938,888
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<u>-</u>	<u>-</u>	<u>35,230</u>	<u>4,572</u>	<u>87,622</u>	<u>938,888</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	140	573	20,796	17,279	108,175	509,270
Support services	-	-	10,466	10,979	114,045	213,006
Community services	-	-	-	342	11,350	14,802
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<u>140</u>	<u>573</u>	<u>31,262</u>	<u>28,600</u>	<u>233,570</u>	<u>737,078</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(140)</u>	<u>(573)</u>	<u>3,968</u>	<u>(24,028)</u>	<u>(145,948)</u>	<u>201,810</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(140)</u>	<u>(573)</u>	<u>3,968</u>	<u>(24,028)</u>	<u>(145,948)</u>	<u>201,810</u>
<b>Cash and investments - beginning</b>	<u>295</u>	<u>573</u>	<u>-</u>	<u>24,028</u>	<u>145,948</u>	<u>-</u>
<b>Cash and investments - ending</b>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 3,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,810</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 155	\$ -	\$ 3,968	\$ -	\$ -	\$ 201,810
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 3,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,810</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	155	-	3,968	-	-	201,810
<b>Total cash and investment fund balance - ending</b>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 3,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,810</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	Title V 03-232	Title V 04-257	Title V 05-128	Adult Ed Title II Comp 2004/05	Adult Ed Title II Outreach 2004/05	Adult Ed Title II Comp 2005/06
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	-	41,047	6,991	-	-	330,361
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>41,047</b>	<b>6,991</b>	<b>-</b>	<b>-</b>	<b>330,361</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	-	43,666	3,000	145,230
Support services	35,392	36,517	-	24,087	407	92,663
Community services	-	-	-	2,625	1,536	15,526
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<b>35,392</b>	<b>36,517</b>	<b>-</b>	<b>70,378</b>	<b>4,943</b>	<b>253,419</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(35,392)</b>	<b>4,530</b>	<b>6,991</b>	<b>(70,378)</b>	<b>(4,943)</b>	<b>76,942</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(35,392)</b>	<b>4,530</b>	<b>6,991</b>	<b>(70,378)</b>	<b>(4,943)</b>	<b>76,942</b>
<b>Cash and investments - beginning</b>	<b>35,392</b>	<b>-</b>	<b>-</b>	<b>70,378</b>	<b>4,943</b>	<b>-</b>
<b>Cash and investments - ending</b>	<b>\$ -</b>	<b>\$ 4,530</b>	<b>\$ 6,991</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,942</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 4,530	\$ 6,991	\$ -	\$ -	\$ 76,942
<b>Restricted assets:</b>						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 4,530</b>	<b>\$ 6,991</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,942</b>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	4,530	6,991	-	-	76,942
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 4,530</b>	<b>\$ 6,991</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,942</b>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
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 For the Year Ended June 30, 2006  
 (Continued)

	Adult Ed Title II Outreach 2005/06	Title IV 04-077	Title IV 05-161	Title IV 03-246	Title IV Project Peace 2004/05	Strawbridge Science
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	28,000	32,679	6,859	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>28,000</b>	<b>32,679</b>	<b>6,859</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	11,809	-	-	-	-	-
Support services	2,816	8,637	-	28,044	45	-
Community services	11,151	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<b>25,776</b>	<b>8,637</b>	<b>-</b>	<b>28,044</b>	<b>45</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>2,224</b>	<b>24,042</b>	<b>6,859</b>	<b>(28,044)</b>	<b>(45)</b>	<b>-</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>2,224</b>	<b>24,042</b>	<b>6,859</b>	<b>(28,044)</b>	<b>(45)</b>	<b>-</b>
<b>Cash and investments - beginning</b>	<b>-</b>	<b>3,631</b>	<b>-</b>	<b>28,044</b>	<b>45</b>	<b>209</b>
<b>Cash and investments - ending</b>	<b>\$ 2,224</b>	<b>\$ 27,673</b>	<b>\$ 6,859</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 2,224	\$ 27,673	\$ 6,859	\$ -	\$ -	\$ 209
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 2,224</b>	<b>\$ 27,673</b>	<b>\$ 6,859</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	2,224	27,673	6,859	-	-	209
<b>Total cash and investment fund balance - ending</b>	<b>\$ 2,224</b>	<b>\$ 27,673</b>	<b>\$ 6,859</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209</b>

PORTAGE TOWNSHIP SCHOOLS  
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 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
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 For the Year Ended June 30, 2006  
 (Continued)

	Adult Ed English Literacy 2004/05	Adult Ed English Literacy 2005/06	Tech Prep TP3-91	Tech Prep TP5-91	Voc Ed High Schools TY00	Voc Ed High Schools That Work
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	49,947	43,609	-	-
Federal sources	-	33,000	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<u>-</u>	<u>33,000</u>	<u>49,947</u>	<u>43,609</u>	<u>-</u>	<u>-</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	8,115	17,125	61,456	44,700	-	-
Support services	1,313	8,503	-	460	-	-
Community services	-	3,600	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
<b>Total disbursements</b>	<u>9,428</u>	<u>29,228</u>	<u>61,456</u>	<u>45,160</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(9,428)</u>	<u>3,772</u>	<u>(11,509)</u>	<u>(1,551)</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(9,428)</u>	<u>3,772</u>	<u>(11,509)</u>	<u>(1,551)</u>	<u>-</u>	<u>-</u>
<b>Cash and investments - beginning</b>	<u>9,428</u>	<u>-</u>	<u>11,509</u>	<u>-</u>	<u>54</u>	<u>570</u>
<b>Cash and investments - ending</b>	<u>\$ -</u>	<u>\$ 3,772</u>	<u>\$ -</u>	<u>\$ (1,551)</u>	<u>\$ 54</u>	<u>\$ 570</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 3,772	\$ -	\$ (1,551)	\$ 54	\$ 570
<b>Restricted assets:</b>						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 3,772</u>	<u>\$ -</u>	<u>\$ (1,551)</u>	<u>\$ 54</u>	<u>\$ 570</u>
<b>Cash and Investment Fund Balance - Ending</b>						
<b>Restricted for:</b>						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	3,772	-	(1,551)	54	570
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 3,772</u>	<u>\$ -</u>	<u>\$ (1,551)</u>	<u>\$ 54</u>	<u>\$ 570</u>

PORTAGE TOWNSHIP SCHOOLS  
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 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
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 For the Year Ended June 30, 2006  
 (Continued)

	Title II Improving Teacher Quality	Title IID Education Technology	Title III English Language	School Pension Debt Service	Construction	Totals
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ 462,995	\$ -	\$ 2,737,731
State sources	-	-	-	-	-	1,150,839
Federal sources	267,597	20,380	21,749	-	-	3,150,929
Sale of property, adjustments and refunds	-	-	-	-	1,744,099	1,744,099
Interfund loans	-	-	-	3,300	-	3,300
<b>Total receipts</b>	<u>267,597</u>	<u>20,380</u>	<u>21,749</u>	<u>466,295</u>	<u>1,744,099</u>	<u>8,786,898</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	-	-	3,512	-	-	1,131,214
Support services	291,828	33,810	397	-	333,023	5,609,090
Community services	-	-	-	-	-	60,932
Nonprogrammed charges	-	-	-	-	-	210,052
Debt services	-	-	-	705,738	-	705,738
<b>Total disbursements</b>	<u>291,828</u>	<u>33,810</u>	<u>3,909</u>	<u>705,738</u>	<u>333,023</u>	<u>7,717,026</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(24,231)</u>	<u>(13,430)</u>	<u>17,840</u>	<u>(239,443)</u>	<u>1,411,076</u>	<u>1,069,872</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	373	-	373
Transfers out	-	-	-	-	-	(107,327)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>373</u>	<u>-</u>	<u>(106,954)</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(24,231)</u>	<u>(13,430)</u>	<u>17,840</u>	<u>(239,070)</u>	<u>1,411,076</u>	<u>962,918</u>
<b>Cash and investments - beginning</b>	<u>161,095</u>	<u>13,678</u>	<u>-</u>	<u>239,113</u>	<u>(1,656,279)</u>	<u>205,199</u>
<b>Cash and investments - ending</b>	<u>\$ 136,864</u>	<u>\$ 248</u>	<u>\$ 17,840</u>	<u>\$ 43</u>	<u>\$ (245,203)</u>	<u>\$ 1,168,117</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 136,864	\$ 248	\$ 17,840	\$ -	\$ (245,203)	\$ 1,168,074
Restricted assets:						
Cash and investments	-	-	-	43	-	43
<b>Total cash and investment assets - ending</b>	<u>\$ 136,864</u>	<u>\$ 248</u>	<u>\$ 17,840</u>	<u>\$ 43</u>	<u>\$ (245,203)</u>	<u>\$ 1,168,117</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 43	\$ -	\$ 43
Unrestricted	136,864	248	17,840	-	(245,203)	1,168,074
<b>Total cash and investment fund balance - ending</b>	<u>\$ 136,864</u>	<u>\$ 248</u>	<u>\$ 17,840</u>	<u>\$ 43</u>	<u>\$ (245,203)</u>	<u>\$ 1,168,117</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
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 For the Year Ended June 30, 2007

	Special Education Preschool	Food Service	Textbook Rental	Adult Alternative Education	Safe Haven Grant	Kostel Donation	Gifted Talented 2006/07
Receipts:							
Local sources	\$ 36,374	\$ 1,808,564	\$ 470,273	\$ -	\$ -	\$ -	\$ -
State sources	222,003	38,085	126,645	2,020	-	-	25,471
Federal sources	-	1,276,948	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	377	9,738	-	-	-
Interfund loans	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>258,377</b>	<b>3,123,597</b>	<b>597,295</b>	<b>11,758</b>	<b>-</b>	<b>-</b>	<b>25,471</b>
Disbursements:							
Current:							
Instruction	-	-	-	-	2,652	828	22,281
Support services	-	2,874,900	581,340	5,309	-	-	1,929
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	231,291	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>231,291</b>	<b>2,874,900</b>	<b>581,340</b>	<b>5,309</b>	<b>2,652</b>	<b>828</b>	<b>24,210</b>
Excess (deficiency) of receipts over disbursements	27,086	248,697	15,955	6,449	(2,652)	(828)	1,261
Other financing uses:							
Transfers out	(25,396)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,690	248,697	15,955	6,449	(2,652)	(828)	1,261
Cash and investments - beginning	138,648	147,463	572,167	(6,449)	20,178	4,536	-
Cash and investments - ending	<u>\$ 140,338</u>	<u>\$ 396,160</u>	<u>\$ 588,122</u>	<u>\$ -</u>	<u>\$ 17,526</u>	<u>\$ 3,708</u>	<u>\$ 1,261</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 140,338	\$ 396,160	\$ 588,122	\$ -	\$ 17,526	\$ 3,708	\$ 1,261
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 140,338</b>	<b>\$ 396,160</b>	<b>\$ 588,122</b>	<b>\$ -</b>	<b>\$ 17,526</b>	<b>\$ 3,708</b>	<b>\$ 1,261</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	140,338	396,160	588,122	-	17,526	3,708	1,261
<b>Total cash and investment fund balance - ending</b>	<b>\$ 140,338</b>	<b>\$ 396,160</b>	<b>\$ 588,122</b>	<b>\$ -</b>	<b>\$ 17,526</b>	<b>\$ 3,708</b>	<b>\$ 1,261</b>

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 For the Year Ended June 30, 2007  
 (Continued)

	Computer Consortium	Workforce Enhancement	Drug Free Community	Non-English Speaking	School Technology	Technology Grant One	Performance Based Award
<b>Receipts:</b>							
Local sources	\$ -	\$ 50,000	\$ -	\$ -	\$ 298,423	\$ -	\$ -
State sources	1,604,396	-	895	2,345	-	138,014	-
Federal sources	-	-	-	-	-	-	-
Bonds and loans	-	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>1,604,396</b>	<b>50,000</b>	<b>895</b>	<b>2,345</b>	<b>298,423</b>	<b>138,014</b>	<b>-</b>
<b>Disbursements:</b>							
<b>Current:</b>							
Instruction	-	21,764	895	220	-	-	-
Support services	1,502,736	4,502	-	-	293,079	4,510	-
Community services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1,502,736</b>	<b>26,266</b>	<b>895</b>	<b>220</b>	<b>293,079</b>	<b>4,510</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>101,660</b>	<b>23,734</b>	<b>-</b>	<b>2,125</b>	<b>5,344</b>	<b>133,504</b>	<b>-</b>
<b>Other financing uses:</b>							
Transfers out	-	-	-	-	-	-	-
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>101,660</b>	<b>23,734</b>	<b>-</b>	<b>2,125</b>	<b>5,344</b>	<b>133,504</b>	<b>-</b>
<b>Cash and investments - beginning</b>	<b>(112,448)</b>	<b>-</b>	<b>-</b>	<b>3,012</b>	<b>21,460</b>	<b>4,510</b>	<b>258</b>
<b>Cash and investments - ending</b>	<b><u>\$(10,788)</u></b>	<b><u>\$ 23,734</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,137</u></b>	<b><u>\$ 26,804</u></b>	<b><u>\$ 138,014</u></b>	<b><u>\$ 258</u></b>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ (10,788)	\$ 23,734	\$ -	\$ 5,137	\$ 26,804	\$ 138,014	\$ 258
<b>Restricted assets:</b>							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b><u>\$(10,788)</u></b>	<b><u>\$ 23,734</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,137</u></b>	<b><u>\$ 26,804</u></b>	<b><u>\$ 138,014</u></b>	<b><u>\$ 258</u></b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(10,788)	23,734	-	5,137	26,804	138,014	258
<b>Total cash and investment fund balance - ending</b>	<b><u>\$(10,788)</u></b>	<b><u>\$ 23,734</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,137</u></b>	<b><u>\$ 26,804</u></b>	<b><u>\$ 138,014</u></b>	<b><u>\$ 258</u></b>

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 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Professional Development Grant	Academy of Finance 2002 ML	Academy of Finance 2003 LP	Adult Ed Workforce Development	School Improvement Saylor	Distinguished School Saylor
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	90,651	-	-	-	-	-
Federal sources	-	-	-	23,966	31,336	2,000
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>90,651</b>	<b>-</b>	<b>-</b>	<b>23,966</b>	<b>31,336</b>	<b>2,000</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	86,426	255	155	-	7,575	1,123
Support services	3,660	-	-	16,230	9,817	-
Community services	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>90,086</b>	<b>255</b>	<b>155</b>	<b>16,230</b>	<b>17,392</b>	<b>1,123</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>565</b>	<b>(255)</b>	<b>(155)</b>	<b>7,736</b>	<b>13,944</b>	<b>877</b>
<b>Other financing uses:</b>						
Transfers out	-	-	-	-	-	-
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>565</b>	<b>(255)</b>	<b>(155)</b>	<b>7,736</b>	<b>13,944</b>	<b>877</b>
Cash and investments - beginning	130,392	392	155	-	3,968	-
Cash and investments - ending	<u>\$ 130,957</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 7,736</u>	<u>\$ 17,912</u>	<u>\$ 877</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 130,957	\$ 137	\$ -	\$ 7,736	\$ 17,912	\$ 877
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 130,957</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 7,736</u>	<u>\$ 17,912</u>	<u>\$ 877</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	130,957	137	-	7,736	17,912	877
<b>Total cash and investment fund balance - ending</b>	<u>\$ 130,957</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 7,736</u>	<u>\$ 17,912</u>	<u>\$ 877</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Title I 2006/07	Title I 2005/06	Title V 04-257	Title V 05-128	Title V 06-6550	Adult Ed Title II Comp 2006/07
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	1,024,382	-	-	20,973	6,949	354,077
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>1,024,382</b>	<b>-</b>	<b>-</b>	<b>20,973</b>	<b>6,949</b>	<b>354,077</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	525,825	83,368	-	-	-	206,376
Support services	167,682	97,508	4,530	12,751	356	101,456
Community services	12,633	20,934	-	-	-	12,740
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>706,140</b>	<b>201,810</b>	<b>4,530</b>	<b>12,751</b>	<b>356</b>	<b>320,572</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>318,242</b>	<b>(201,810)</b>	<b>(4,530)</b>	<b>8,222</b>	<b>6,593</b>	<b>33,505</b>
<b>Other financing uses:</b>						
Transfers out	-	-	-	-	-	-
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>318,242</b>	<b>(201,810)</b>	<b>(4,530)</b>	<b>8,222</b>	<b>6,593</b>	<b>33,505</b>
Cash and investments - beginning	-	201,810	4,530	6,991	-	-
Cash and investments - ending	<u>\$ 318,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,213</u>	<u>\$ 6,593</u>	<u>\$ 33,505</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 318,242	\$ -	\$ -	\$ 15,213	\$ 6,593	\$ 33,505
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 318,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,213</u>	<u>\$ 6,593</u>	<u>\$ 33,505</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>318,242</u>	<u>-</u>	<u>-</u>	<u>15,213</u>	<u>6,593</u>	<u>33,505</u>
<b>Total cash and investment fund balance - ending</b>	<u>\$ 318,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,213</u>	<u>\$ 6,593</u>	<u>\$ 33,505</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Adult Ed Title II Outreach 2006/07	Adult Ed Title II Comp 2005/06	Adult Ed Title II Outreach 2005/06	Title IV 04-077	Title IV 05-161	Strawbridge Science
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	-
Federal sources	28,000	-	-	-	27,436	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<b>28,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,436</b>	<b>-</b>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	12,513	53,529	54	-	-	-
Support services	3,112	23,413	397	27,673	15,586	16
Community services	12,135	-	1,773	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<b>27,760</b>	<b>76,942</b>	<b>2,224</b>	<b>27,673</b>	<b>15,586</b>	<b>16</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>240</b>	<b>(76,942)</b>	<b>(2,224)</b>	<b>(27,673)</b>	<b>11,850</b>	<b>(16)</b>
<b>Other financing uses:</b>						
Transfers out	-	-	-	-	-	-
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>240</b>	<b>(76,942)</b>	<b>(2,224)</b>	<b>(27,673)</b>	<b>11,850</b>	<b>(16)</b>
Cash and investments - beginning	-	76,942	2,224	27,673	6,859	209
Cash and investments - ending	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,709</u>	<u>\$ 193</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 240	\$ -	\$ -	\$ -	\$ 18,709	\$ 193
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,709</u>	<u>\$ 193</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	240	-	-	-	18,709	193
<b>Total cash and investment fund balance - ending</b>	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,709</u>	<u>\$ 193</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Adult Ed English Literacy 2005/06	Adult Ed English Literacy 2006/07	Tech Prep TP5-91	Tech Prep TP6-91	Voc Ed High Schools TY00	Voc Ed High Schools That Work
<b>Receipts:</b>						
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	17,695	-	-	-
Federal sources	-	33,000	-	-	-	-
Bonds and loans	-	-	-	-	-	-
Sale of property, adjustments and refunds	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total receipts</b>	<u>-</u>	<u>33,000</u>	<u>17,695</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	2,553	9,989	15,584	8,625	-	-
Support services	1,219	8,382	560	23	-	-
Community services	-	8,502	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-
Debt services	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-
<b>Total disbursements</b>	<u>3,772</u>	<u>26,873</u>	<u>16,144</u>	<u>8,648</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>(3,772)</u>	<u>6,127</u>	<u>1,551</u>	<u>(8,648)</u>	<u>-</u>	<u>-</u>
<b>Other financing uses:</b>						
Transfers out	-	-	-	-	-	-
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>(3,772)</u>	<u>6,127</u>	<u>1,551</u>	<u>(8,648)</u>	<u>-</u>	<u>-</u>
<b>Cash and investments - beginning</b>	<u>3,772</u>	<u>-</u>	<u>(1,551)</u>	<u>-</u>	<u>54</u>	<u>570</u>
<b>Cash and investments - ending</b>	<u>\$ -</u>	<u>\$ 6,127</u>	<u>\$ -</u>	<u>\$ (8,648)</u>	<u>\$ 54</u>	<u>\$ 570</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ 6,127	\$ -	\$ (8,648)	\$ 54	\$ 570
Restricted assets:						
Cash and investments	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ -</u>	<u>\$ 6,127</u>	<u>\$ -</u>	<u>\$ (8,648)</u>	<u>\$ 54</u>	<u>\$ 570</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	6,127	-	(8,648)	54	570
<b>Total cash and investment fund balance - ending</b>	<u>\$ -</u>	<u>\$ 6,127</u>	<u>\$ -</u>	<u>\$ (8,648)</u>	<u>\$ 54</u>	<u>\$ 570</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2007  
 (Continued)

	Title II Improving Teacher Quality	Title IID Education Technology	Title III English Language	School Pension Debt Service	Construction	Totals
Receipts:						
Local sources	\$ -	\$ -	\$ -	\$ 435,150	\$ -	\$ 3,098,784
State sources	-	-	-	-	-	2,268,220
Federal sources	346,756	15,373	25,075	-	-	3,216,271
Bonds and loans	-	-	-	835,000	-	835,000
Sale of property, adjustments and refunds	-	-	-	-	1,396,398	1,406,513
Interfund loans	-	-	-	70,551	-	70,551
<b>Total receipts</b>	<b>346,756</b>	<b>15,373</b>	<b>25,075</b>	<b>1,340,701</b>	<b>1,396,398</b>	<b>10,895,339</b>
Disbursements:						
Current:						
Instruction	-	-	27,502	-	-	1,090,092
Support services	345,608	7,430	1,701	-	1,151,195	7,268,610
Community services	-	-	-	-	-	68,717
Nonprogrammed charges	-	-	-	-	-	231,291
Debt services	-	-	-	1,218,461	-	1,218,461
Interfund loans	-	-	-	69,351	-	69,351
<b>Total disbursements</b>	<b>345,608</b>	<b>7,430</b>	<b>29,203</b>	<b>1,287,812</b>	<b>1,151,195</b>	<b>9,946,522</b>
Excess (deficiency) of receipts over disbursements	1,148	7,943	(4,128)	52,889	245,203	948,817
Other financing uses:						
Transfers out	-	-	-	-	-	(25,396)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,148	7,943	(4,128)	52,889	245,203	923,421
Cash and investments - beginning	136,864	248	17,840	43	(245,203)	1,168,117
Cash and investments - ending	<u>\$ 138,012</u>	<u>\$ 8,191</u>	<u>\$ 13,712</u>	<u>\$ 52,932</u>	<u>\$ -</u>	<u>\$ 2,091,538</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 138,012	\$ 8,191	\$ 13,712	\$ -	\$ -	\$ 2,038,606
Restricted assets:						
Cash and investments	-	-	-	52,932	-	52,932
<b>Total cash and investment assets - ending</b>	<b>\$ 138,012</b>	<b>\$ 8,191</b>	<b>\$ 13,712</b>	<b>\$ 52,932</b>	<b>\$ -</b>	<b>\$ 2,091,538</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 52,932	\$ -	\$ 52,932
Unrestricted	138,012	8,191	13,712	-	-	2,038,606
<b>Total cash and investment fund balance - ending</b>	<b>\$ 138,012</b>	<b>\$ 8,191</b>	<b>\$ 13,712</b>	<b>\$ 52,932</b>	<b>\$ -</b>	<b>\$ 2,091,538</b>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For the Year Ended June 30, 2006

	Retirement/ Severance Bond	Postretirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Employer	\$ 8,000,000	\$ -	\$ 8,000,000
Investment earnings:			
Interest	158,140	-	158,140
Total additions	8,158,140	-	8,158,140
Deductions:			
Benefits	1,177,779	-	1,177,779
Excess of total additions over total deductions	6,980,361	-	6,980,361
Cash and investment fund balance - beginning	3,391,452	245,876	3,637,328
Cash and investment fund balance - ending	\$ 10,371,813	\$ 245,876	\$ 10,617,689
Net assets:			
Cash and investments	\$ 10,371,813	\$ 245,876	\$ 10,617,689
Total net assets - cash and investment basis held in trust	\$ 10,371,813	\$ 245,876	\$ 10,617,689

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PENSION TRUST FUNDS  
 For the Year Ended June 30, 2007

	Retirement/ Severance Bond	Postretirement/ Severance Future Benefit	Totals
Additions:			
Contributions:			
Other	\$ 6,427	\$ -	\$ 6,427
Investment earnings:			
Interest	252,747	-	252,747
Total additions	259,174	-	259,174
Deductions:			
Benefits	7,777,524	-	7,777,524
Deficiency of total additions under total deductions	(7,518,350)	-	(7,518,350)
Cash and investment fund balance - beginning	10,371,813	245,876	10,617,689
Cash and investment fund balance - ending	\$ 2,853,463	\$ 245,876	\$ 3,099,339
Net assets:			
Cash and investments	\$ 2,853,463	\$ 245,876	\$ 3,099,339
Total net assets - cash and investment basis held in trust	\$ 2,853,463	\$ 245,876	\$ 3,099,339

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2006

	<u>Learning Center</u>	<u>Family Literacy</u>	<u>Migrant Outreach</u>	<u>Wellness Program</u>	<u>Capable</u>
Additions:					
Contributions:					
Other	\$ 41,250	\$ -	\$ -	\$ 145	\$ 9,501
Deductions:					
Administrative and general	47,716	5,072	3,062	-	14,927
Excess (deficiency) of total additions over total deductions	(6,466)	(5,072)	(3,062)	145	(5,426)
Cash and investment fund balance - beginning	(5,955)	13,054	3,062	513	19,511
Cash and Investments - June 30	<u>\$ (12,421)</u>	<u>\$ 7,982</u>	<u>\$ -</u>	<u>\$ 658</u>	<u>\$ 14,085</u>
Net assets:					
Cash and investments	<u>\$ (12,421)</u>	<u>\$ 7,982</u>	<u>\$ -</u>	<u>\$ 658</u>	<u>\$ 14,085</u>
Total net assets - cash and investment basis held in trust	<u>\$ (12,421)</u>	<u>\$ 7,982</u>	<u>\$ -</u>	<u>\$ 658</u>	<u>\$ 14,085</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2006  
 (Continued)

	<u>Home Economics</u>	<u>Culinary Scholarship</u>	<u>Four Communities</u>	<u>Donations</u>	<u>Totals</u>
Additions:					
Contributions:					
Other	\$ -	\$ 532	\$ 15,000	\$ 18,845	\$ 85,273
Deductions:					
Administrative and general	-	750	15,000	17,241	103,768
Excess (deficiency) of total additions over total deductions	-	(218)	-	1,604	(18,495)
Cash and investment fund balance - beginning	1,031	501	-	38,897	70,614
Cash and Investments - June 30	<u>\$ 1,031</u>	<u>\$ 283</u>	<u>\$ -</u>	<u>\$ 40,501</u>	<u>\$ 52,119</u>
Net assets:					
Cash and investments	<u>\$ 1,031</u>	<u>\$ 283</u>	<u>\$ -</u>	<u>\$ 40,501</u>	<u>\$ 52,119</u>
Total net assets - cash and investment basis held in trust	<u>\$ 1,031</u>	<u>\$ 283</u>	<u>\$ -</u>	<u>\$ 40,501</u>	<u>\$ 52,119</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ended June 30, 2007

	<u>Learning Center</u>	<u>Family Literacy</u>	<u>Wellness Program</u>	<u>Capable</u>	<u>Home Economics</u>
Additions:					
Contributions:					
Other	\$ 61,423	\$ 8,000	\$ 247	\$ 10,497	\$ -
Deductions:					
Administrative and general	36,927	-	-	2,758	-
Excess (deficiency) of total additions over total deductions	24,496	8,000	247	7,739	-
Cash and investment fund balance - beginning	(12,421)	7,982	658	14,085	1,031
Cash and Investments - June 30	<u>\$ 12,075</u>	<u>\$ 15,982</u>	<u>\$ 905</u>	<u>\$ 21,824</u>	<u>\$ 1,031</u>
Net assets:					
Cash and investments	<u>\$ 12,075</u>	<u>\$ 15,982</u>	<u>\$ 905</u>	<u>\$ 21,824</u>	<u>\$ 1,031</u>
Total net assets - cash and investment basis held in trust	<u>\$ 12,075</u>	<u>\$ 15,982</u>	<u>\$ 905</u>	<u>\$ 21,824</u>	<u>\$ 1,031</u>

PORTAGE TOWNSHIP SCHOOLS  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For the Year Ende June 30, 2007  
 (Continued)

	<u>Culinary Scholarship</u>	<u>Four Communities</u>	<u>Donations</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 477	\$ 52,537	\$ 22,663	\$ 155,844
Deductions:				
Administrative and general	501	52,537	20,041	112,764
Excess (deficiency) of total additions over total deductions	(24)	-	2,622	43,080
Cash and investment fund balance - beginning	283	-	40,501	52,119
Cash and Investments - June 30	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ 43,123</u>	<u>\$ 95,199</u>
Net assets:				
Cash and investments	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ 43,123</u>	<u>\$ 95,199</u>
Total net assets - cash and investment basis held in trust	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ 43,123</u>	<u>\$ 95,199</u>

PORTAGE TOWNSHIP SCHOOLS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended June 30, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Governmental activities:

Capital assets, not being depreciated:

Land	\$ 38,636,500
Construction in progress	29,843,511
Buildings	77,313,344
Improvements other than buildings	3,589,956
Machinery and equipment	<u>18,361,386</u>

Total governmental activities, capital  
assets not being depreciated

\$ 167,744,697

PORTAGE TOWNSHIP SCHOOLS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For the Year Ended June 30, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Building Corporation leases	\$ 64,922,927	\$ 5,087,500
Copier leases	1,505,975	413,319
Vehicle leases	36,477	21,646
Notes and loans payable:		
Common School Fund Loans	5,038,007	1,543,487
Pension Interlocal Loan	1,008,448	262,101
Bonds payable:		
General obligation bonds:		
Pension Bonds Series 2002	5,265,000	698,875
Pension Bonds Series 2006	<u>8,000,000</u>	<u>607,887</u>
Total governmental activities debt	<u>\$ 85,776,834</u>	<u>\$ 8,634,815</u>

PORTAGE TOWNSHIP SCHOOLS  
OTHER REPORT

The audit report presented herein was prepared in addition to another official report prepared for the individual School Corporation office listed below:

Adult Education Center

PORTAGE TOWNSHIP SCHOOLS  
AUDIT RESULTS AND COMMENTS

COLLECTIONS NOT DEPOSITED

Collections are received at the front desk at the Administration Center for background checks, insurance payments, badge replacements, cash tuition, donations, and textbook rental. Receipt number 62848 was issued on January 7, 2008, for \$40 for the cash payment of textbook rental. The collections at the front desk were handled by Irma Azcona, Receptionist. The receipt could not be verified to a report of collections and bank deposit. Irma Azcona resigned her position on January 21, 2008. We requested Irma Azcona to reimburse the \$40 of textbook rental receipts not deposited to the bank. Irma Azcona repaid the \$40 on January 29, 2008.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECEIPT ISSUANCE AND DEPOSITS NOT MADE TIMELY

Collections are received at the front desk at the Administration Center for background checks, insurance payments, badge replacements, cash tuition, donations, and textbook rental. The following deficiencies relating to the collections, issuance of receipts, and deposit of the collections were noted for September 18, 2007 to January 21, 2008:

1. Receipts were not immediately prepared for the collections.
2. The collections on hand on January 17, 2008, had been held for 11 to 22 days before receipts were written and the money deposited in the bank.
3. The receipts issued contained a considerable number of errors including preparing the receipt in the wrong book (a textbook rental receipt was not used but the money collected was for textbook rental), information on the receipt was not completed (the full name, grade level, or school was not listed), and an amount was changed in the number section and initialed but the amount in words was not changed.

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PORTAGE TOWNSHIP SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

AVERAGE DAILY MEMBERSHIP (ADM) ACADEMIC HONORS  
DIPLOMA – INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2006 and 2007.

A similar comment appeared in the prior report.

The enrollment count dates for school years ending June 30, 2006, and June 30, 2007, were September 16, 2005, and September 15, 2006, respectively. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2005-2006	Kindergarten	281.50	282.00	(0.50)
2005-2006	1 Through 12	7,837.00	7,837.00	-
2006-2007	Kindergarten	310.50	309.50	1.00
2006-2007	1 Through 12	7,812.00	7,819.00	(7.00)

Additionally, the academic honors diploma counts for the Class of 2005 reported in the fall of 2005 and the Class of 2006 reported in the fall of 2006 did not agree with the supporting documentation. The differences between the count reported on the Form 30A, Report of Average Daily Membership (ADM) for State Support, and the verified figures are shown below:

<u>Class of</u>	<u>Reported Fall of</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Honors Diplomas</u>	<u>Difference</u>
2005	2005	158	163	(5)
2006	2006	179	178	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

REPORTING OF LOANS BETWEEN FUNDS

The School Corporation had many loans between funds. The loans from one fund to another were reported as transfers and not as loans. Adjustments were made to the audited financial statements to properly report the loans between funds, as follows: \$1,183,300 in both receipts and disbursements during 2005-2006 and \$7,223,306 in receipts during 2006-2007 and \$6,093,806 in disbursements during 2006-2007.

PORTAGE TOWNSHIP SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECONCILIATION OF MONEY HELD IN TRUST

The School Corporation uses a computer program to account for meal sales and money held on account for advance payments of meals. The system does not provide adequate reports for monitoring amounts held in trust. Reconciliations of the amounts held in trust were not performed from month to month for the reports and information from the system that was available. School Corporation Officials have been working with the vendor to obtain a monthly computerized reconciliation.

A similar comment appeared in the prior report.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers preprinted on the form. If the application system prints other numbers on the form (document control numbers), adequate security must be implemented to prevent unauthorized modification of the number sequence. Individuals responsible for computer processing of receipts or payment documents must not have access to the storage locations of these documents. Receipt and payment documents must not include preprinted signatures. All output reports must clearly indicate the effective dates of the information regardless of when the report is generated. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 10)

SERVICE RECORDS

The School Corporation uses a computer software program to record and maintain records on leave earned, used, and accumulated balances, for both certified and noncertified employees. The records used do not indicate correct accrued balances and do not show leave time earned.

A similar comment appeared in the prior report.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSPORTATION FUND - RECORD OF HOURS WORKED

Portions of the administrative staff salaries were paid from the Transportation Fund. A record of hours worked for each employee was not presented for audit.

A similar comment appeared in the prior report.

PORTAGE TOWNSHIP SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-9-4 requires in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent-Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and, therefore, payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Administrator and Uniform Compliance Guidelines, Volume 157)

INTERLOCAL RETIREMENT BUYOUT LOAN

The School Corporation is a member of the Porter County Education Interlocal (Interlocal). A loan was obtained by the Interlocal for certain members' share of a retirement buyout for teachers and administrators. Portage Township Schools is responsible for paying \$1,120,498 of this loan to the Interlocal. The first payment, made May 25, 2007, of \$116,768.96 (principal and interest) was paid from the General Fund. The School Corporation did not reduce the total property tax levy or establish a separate debt service fund for repayment.

Indiana Code 20-48-1-2 (c) (5) states: "Each year that a debt service levy is needed under this section, the school corporation shall reduce the total property tax levy for the school corporation's transportation, school bus replacement, capital projects, and art association and historical society funds, as appropriate, in an amount equal to the property tax levy needed for the debt service under this section. The property tax rate for each of these funds shall be reduced each year until the bonds are retired."

Indiana Code 20-48-1-2 (c) (6) states: "The school corporation shall establish a separate debt service fund for repayment of the bonds issued under this section."

COMPARISON OF TEXTBOOK RENTAL RECEIPTS TO COMPUTERIZED FEE PAYMENT REPORT (Applies to Fegely Middle School)

The School Corporation utilizes a computer program to account for book rental payments and amounts still due. Extra-curricular treasurers issue receipts from the textbook rental receipt books, which are maintained manually. Those receipts are then entered in the computer program, which totals and posts the payments to the student accounts. A comparison was made of the computerized fee payment report to the totals reported as received on the annual financial report for the Middle School, but differences were noted. The computer reports for the school year ended June 30, 2007, totaled \$12,089.42 less than what was reported as having been received based upon the annual financial report of receipts for the Textbook Rental Fund. The amounts were in agreement with the bank account.

PORTAGE TOWNSHIP SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

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

BANK RECONCILIATIONS (Applies to Kyle Elementary School)

Deficiencies in the preparation of the bank reconciliation were as follows:

- (1) The bank reconciliation was not accurate as completed by the Extra-Curricular Treasurer.
- (2) The depository balance used in the bank reconciliation did not agree with the bank statement balance. The depository balance at school year end in 2006 and 2007 according to the bank was \$6,162.72 and \$5,970.24, respectively, and the balance used in the bank reconciliation was \$7,515.27 and \$6,366.91, respectively.
- (3) The outstanding check list included checks that had cleared the bank before the date of the bank reconciliation; therefore, these checks were not outstanding at the reconciliation date.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

GRANT FUNDS (Applies to Saylor Elementary School)

Drug Free Community Grant Funds were recorded and retained in the extra-curricular records. The grant funds were awarded by the Porter County Substance Abuse Council in the amount of \$1,059.70 and receipted and disbursed from the Home/School Fund in the extra-curricular account.

Indiana Code 26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for all the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

PORTAGE TOWNSHIP SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

DEPOSITS NOT MADE TIMELY (Applies to South Haven Elementary)

Thirty percent of textbook rental receipts examined were deposited to the bank 5 to 18 days after the receipt date.

Indiana Code 41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE PORTAGE TOWNSHIP SCHOOLS, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Portage Township Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2006 and 2007. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

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

As described in item 2007-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding cash management applicable to its Adult Education - State Grant Program, Title I Grants to Local Educational Agencies, and Improving Teacher Quality State Grants. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2006 and 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2007-4.

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

Internal Control Over Compliance

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

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

A control deficiency in a School Corporation's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2007-3 and 2007-4 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2007-3 and 2007-4 to be material weaknesses.

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

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

STATE BOARD OF ACCOUNTS

February 11, 2008

PORTAGE TOWNSHIP SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 228,197	\$ 297,388
National School Lunch Program	10.555		988,235	1,169,147
Summer Food Service Program for Children	10.559		<u>36,698</u>	<u>53,670</u>
Total for federal grantor agency			<u>1,253,130</u>	<u>1,520,205</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Adult Education - State Grant Program				
Title II	84.002	05-8029	70,378	-
Title II		06-8029	253,419	76,942
Title II		07-8029	-	320,573
Outreach		05-8128	4,883	-
Outreach		06-8132	25,776	2,224
Outreach		07-8132	-	27,760
English Literacy		05-8406	9,428	-
English Literacy		06-8407	29,228	3,294
English Literacy		07-8407	<u>-</u>	<u>26,873</u>
Total for program			<u>393,112</u>	<u>457,666</u>
Title I Grants to Local Educational Agencies				
05-6550	84.010		96,981	-
06-6550			737,077	201,810
07-6550			-	706,140
School Improvement		05-6550	6,457	-
School Improvement		06-6550	31,262	3,968
School Improvement		07-6550	-	13,424
Distinguished School Award		06-6550	<u>-</u>	<u>1,123</u>
Total for program			<u>871,777</u>	<u>926,465</u>
Safe and Drug Free Schools and Communities - State Grants				
04-05 Project Peace	84.186		45	-
03-246			22,148	-
04-077			8,638	27,672
05-161			<u>-</u>	<u>15,586</u>
Total for program			<u>30,831</u>	<u>43,258</u>
Pass-Through Indiana Department of Workforce Development				
Tech-Prep Education				
TP 3-91	84.243		61,456	-
TP 5-91			45,160	15,853
TP 6-91			<u>-</u>	<u>8,648</u>
Total for program			<u>106,616</u>	<u>24,501</u>

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

PORTAGE TOWNSHIP SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2006 and 2007  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-06	Total Federal Awards Expended 06-30-07
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Pass-Through Indiana Department of Education				
State Grants for Innovative Programs	84.298			
03-232			35,392	-
04-257			36,517	4,517
05-158			-	12,751
06-6550			-	356
Total for program			<u>71,909</u>	<u>17,624</u>
Education Technology State Grants	84.318			
2402-03			18,178	-
2402-04			15,576	239
294-05			56	7,191
Total for program			<u>33,810</u>	<u>7,430</u>
English Language Acquisition Grants	84.365			
05-6550			3,909	17,840
06-6550			-	11,363
Total for program			<u>3,909</u>	<u>29,203</u>
Improving Teacher Quality State Grants	84.367			
03-244			112,228	-
04-065			179,600	136,864
05-295			-	208,504
Total for program			<u>291,828</u>	<u>345,368</u>
Total for federal grantor agency			<u>1,803,792</u>	<u>1,851,515</u>
Total federal awards expended			<u>\$ 3,056,922</u>	<u>\$ 3,371,720</u>

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

PORTAGE TOWNSHIP SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of School Corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2006 and 2007. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
School Breakfast Program	10.553	\$ 12,334	\$ 12,867
National School Lunch Program	10.555	47,901	51,300

PORTAGE TOWNSHIP SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified, except for the following programs:

Adult Education - State Grant Program  
Title I Grants to Local Educational Agencies  
Improving Teacher Quality State Grants

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.002	Child Nutrition Cluster
84.010	Adult Education - State Grant Program
84.367	Title I Grants to Local Educational Agencies
	Improving Teacher Quality State Grants

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

Auditee qualified as low-risk auditee? no

PORTAGE TOWNSHIP SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section II – Financial Statement Findings

FINDING 2007-1, RECONCILIATION OF MONEY HELD IN TRUST

The School Corporation uses a computer program to account for meal sales and money held on account for advance payments of meals. The system does not provide adequate reports for monitoring amounts held in trust. Reconciliations of the amounts held in trust were not performed from month to month for the reports and information from the system that was available. School Corporation Officials have been working with the vendor to obtain a monthly computerized reconciliation.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers preprinted on the form. If the application system prints other numbers on the form (document control numbers), adequate security must be implemented to prevent unauthorized modification of the number sequence. Individuals responsible for computer processing of receipts or payment documents must not have access to the storage locations of these documents. Receipt and payment documents must not include preprinted signatures. All output reports must clearly indicate the effective dates of the information regardless of when the report is generated. Output reports must have appropriate subtotals to allow reconciliation of reports within the system and reconciliation to external documentation. (Accounting and Uniform Compliance Guidelines for School Corporations, Chapter 10)

We recommended that the School Corporation begin performing monthly reconciliations of student account balances held in trust to ensure that the system is properly accumulating and reporting trust account balances.

FINDING 2007-2, ADULT EDUCATION INTERNAL CONTROLS

Our audit disclosed deficiencies in internal controls concerning the receipting, recordkeeping and accounting for financial activities for Adult Education. The controls were not sufficient for the Officials to detect errors made in the Adult Education area in the normal course of operations. The following deficiencies in internal controls for Adult Education were found:

1. Collections, as documented on the miscellaneous receipts, were not always posted to the Adult Education extra-curricular account records nor deposited in the bank account. The miscellaneous receipts covered the following areas: GED testing, computer classes, Spanish classes, caps and gowns, tassels, and diploma covers and inserts.
2. The calculated pop machine collections, based upon the purchases for resale, sales of pop cans, and inventory, did not agree with the actual pop machine collections.
3. The GED tester/proctor was paid from cash collections for GED testing fees until February 2007.
4. Supply items were purchased from pop machine collections.
5. Deposits to the bank were made 15 to 82 days after the receipt date.
6. The composition of cash and checks did not always agree between the receipts and deposit tickets.

PORTAGE TOWNSHIP SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7. Employees working in more than one position at the School Corporation did not maintain records indicating which hours were worked each day for each position.
8. Records were not available for audit. These included some rosters for GED testing and computer classes, and miscellaneous receipts.

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

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All school corporation money must be deposited in the duly designated depository not later than the business day following the receipt of funds on business days of the depository designated in the same form in which the funds were received in accordance with IC 5-13-6-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99 A and/or General Form No. 99B. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Failure to implement adequate internal control procedures could result in the School Corporation being deemed ineligible to receive Federal awards in the future.

We recommended that the School Corporation Officials establish and implement effective internal control procedures over the Adult Education area to ensure adequate receipting, recordkeeping, and accounting for financial activities.

PORTAGE TOWNSHIP SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2007-3, CASH MANAGEMENT

Federal Agency: U.S. Department of Education

Pass-Through: Indiana Department of Education

Federal Programs: Adult Education-State Grant Program; Title I Grants to Local Educational Agencies; Improving Teacher Quality State Grants

CFDA Numbers: 84.002; 84.010; 84.367

Award Numbers: 2006-8029, 2007-8029, 2006-8132, 2007-8132, 2006-8407, and 2007-8407; 06-6550 and 07-6550; 03-244, 04-065, and 05-295

Amounts received by the School Corporation for the grant awards shown above are drawn down in advance. Officials are required to review needs and draw funds as needed. The drawdown requests are included in the applications for grant funds. The procedure used by the School Corporation is to take the award, and divide by the number of months the funds will cover, which is 12. However, the Indiana Department of Education will not allow more than 20% of the Title I award to be drawn in each of the first 3 months of the grant period, which covers July through September. The Indiana Department of Education will not allow grantees to maintain a cash balance in excess of 10% of the Adult Education awards.

The grant cash balance exceeded the following month's expenditures for 10 out of 14 months by amounts ranging from \$4,027 to \$166,325 for the Title I grant for the fiscal year 2005-2006. The cash balance for the grant fiscal year 2006-2007, exceeded the following month's expenditures for 11 out of 13 months by amounts ranging from \$54,232 to \$249,440. Generally, the cash balances began exceeding current needs when the prior year unexpended balances were transferred to the current year grants.

Cash balances for the Improving Teacher Quality State Grants awards, at the end of a month, exceeded the following month's disbursements for 24 out of 24 months by amounts ranging from \$27,633.78 to \$173,070.93. The School Corporation began receiving draws from the 04-065 projects while still receiving draws from the 03-244 project, which resulted in the larger cash balances in excess of current needs. The average excess balance for the grant fiscal year ending June 30, 2006, was \$122,921.59 and \$59,130.34 for grant fiscal year ending June 30, 2007, a decrease of 52%. The activity of three grants was included in one fund. A separate fund for each grant would help determine the School Corporation's needs.

Cash balances for the Adult Education State Grants awards, at the end of a month, exceeded 10% of the amount received for 9 of 24 months for Comprehensive, 14 of 24 months for Outreach, and 12 of 24 months for English Literacy. The cash balance in excess of the allowed amount ranged from \$1,238.51 to \$60,900.72 for Comprehensive, \$221.09 to \$6,969.26 for Outreach, and \$44.88 to \$6,261.23 for English Literacy. The activity of the grants was not what was anticipated and the Officials did not revise the drawdown schedule, which resulted in the larger cash balances in excess of current needs.

EDGAR 80.20 states in part:

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

(7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. . . . Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

PORTAGE TOWNSHIP SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

We recommended that School Corporation Officials implement procedures which will consider cash balances on hand, when determining cash needs on a monthly basis.

FINDING 2007-4, LATE FILING OF REPORTS

Federal Agency: U.S. Department of Education  
Pass-Through: Indiana Department of Education  
Federal Program: Adult Education State Grant Program  
CFDA Number: 84.002  
Award Numbers: 2006-8029, 2007-8029, 2007-8132, 2006-8407, and 2007-8407

The School Corporation has not implemented adequate internal controls that would ensure required reports are submitted on a timely basis. Five out of twenty-one (24%) Adult Education grant reports were filed from 10 to 14 days late.

EDGAR 74.51 states in part: "(a) Recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Recipients shall monitor sub-awards to ensure subrecipients have met the audit requirements in Sec. 74.26."

Failure of the School Corporation to submit timely reports could result in the loss of future funding.

We recommended that the School Corporation establish procedures to ensure the timely submission of the required reports.

# PORTAGE TOWNSHIP SCHOOLS

6240 U.S. Highway 6

Portage, Indiana 46368-5057

(219) 762-6511 FAX (219) 762-3263

BOARD OF SCHOOL TRUSTEES

Michael J. Berta, Jr., ED.S  
Superintendent of Schools  
Dr. E. Ric Frataccia  
Assistant Superintendent  
Student Learning/Achievement  
Thomas L. Taylor  
Director of Personnel  
Sharon Qualkenbush  
Director of Finance

William P. Fekete  
Terry A. Hufford  
Thomas A. Pappas, Jr.  
Sally Olsen  
Glenda Owens

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2005-4

Original SBA Audit Report Number: B26693

Fiscal Year July 1, 2005 to June 30, 2007

Auditee Contact Person Sharon Qualkenbush

Title of Contact Person Director of Finance

Phone Number 219-764-6511

### Status of Finding:

We are continuing to make improvements regarding the cash management controls and compliance for the Title 1 program. Expenditures will be monitored on a monthly basis. In addition, anticipated expenditures for the ensuing month will be reviewed and compared with the drawdown request schedule. Based on this comparison the drawdown schedule will be revised on an ongoing basis as necessary.

  
Sharon Qualkenbush, Director of Finance

10-18-07  
Date Signed

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## PORTAGE TOWNSHIP SCHOOLS Corrective Action Plan

Finding Number: 2007-1 Reconciliation of Money Held in Trust

Original SBA Audit Report Number:  
Fiscal Year: July 1, 2005 to June 30, 2007  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: Director of Finance/Treasurer

### Status of Finding:

As of November 21, 2007, this situation was resolved. The vendor completed software changes that allow the Food Service Department staff to print a reconciliation report. This report will be printed and reconciled on a monthly basis to determine that the records are in agreement.

  
Sharon Qualkenbush, Treasurer  
Director of Finance

February 11, 2008  
Date

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## PORTAGE TOWNSHIP SCHOOLS Corrective Action Plan

Finding Number: 2007-2 Adult Education Internal Controls

Original SBA Audit Report Number:

Fiscal Year:

July 1, 2005 to June 30, 2007

Auditee Contact Person:

Sharon Qualkenbush

Title of Contact Person:

Director of Finance/Treasurer

### Status of Finding:

Officials are in the process of monitoring and re-establishing internal controls in the adult education program as prescribed in the State Board of Accounts audit reports. Staff will be evaluated to determine if they have the necessary training and skill level to perform the required daily duties.

Several specific steps have already been implemented. The collection process has been limited to include only a few designated staff members in the facility. Miscellaneous unofficial receipts used internally in the facility have been replaced with the use of approved SA3 receipt forms. In addition, the director will be responsible to verify that bank deposits are made on a daily basis. Secure areas are being evaluated to determine that only a few designated individuals have access to critical data.

Facility directors will be held accountable for overseeing the procedures and controls implemented in the Adult Education facility.

  
Sharon Qualkenbush, Treasurer  
Director of Finance

February 11, 2008  
Date

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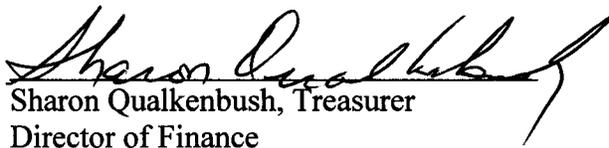
## PORTAGE TOWNSHIP SCHOOLS Corrective Action Plan

Finding Number: 2007-3 Cash Management

Original SBA Audit Report Number:  
Fiscal Year: July 1, 2005 to June 30, 2007  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: Director of Finance/Treasurer

### Status of Finding:

Grant directors in the Title I program, Improving Teacher Quality State grant and the Adult Education program are responsible for estimating the projected expenditures for the ensuing month. Grant directors shall submit expenditure projections to the Business Office in a timely manner to allow for any necessary cash draw down revisions.

  
Sharon Qualkenbush, Treasurer  
Director of Finance

February 11, 2008  
Date

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## PORTAGE TOWNSHIP SCHOOLS Corrective Action Plan

Finding Number: 2007-4 Late Filing of Reports

Original SBA Audit Report Number:  
Fiscal Year: July 1, 2005 to June 30, 2007  
Auditee Contact Person: Sharon Qualkenbush  
Title of Contact Person: Director of Finance/Treasurer

### Status of Finding:

Report due dates will be reviewed with Adult Education program directors. In addition, a master calendar will be maintained in the Business Office to verify that applicable reports are completed in a timely manner.

  
Sharon Qualkenbush, Treasurer  
Director of Finance

February 11, 2008  
Date

PORTAGE TOWNSHIP SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2008, with Michael Berta, Superintendent of Schools; Sharon Qualkenbush, Treasurer; Lisa Rosinko, Assistant to the Treasurer; and Terry Hufford, President of the School Board. The official response has been made a part of this report and may be found on page 80.

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February 25, 2008

State Board of Accounts  
302 W. Washington Street, Room E418  
Indianapolis, IN 46204-2765

RE: Audit Response

Dear Sirs:

This statement is being prepared in response to the audit comment regarding the interlocal retirement buyout loan. Our district was issued a comment regarding that the loan payment needed to be tax neutral.

Indiana code 20-48-1-2 (c ) (6) cited in the comment states that "The school corporation shall establish a separate debt service fund for repayment of the bonds issued under this section." There were **no** bonds issued as a result of this buyout. Neither the school corporation nor the Porter County Education Interlocal issued bonds. Therefore, it does not seem applicable that a separate debt service fund could be established.

In addition the audit comment refers to Indiana Code 20-48-1-2-(c ) (5) stating that "Each year a debt service levy is needed under this section, the school corporation shall reduce the total property tax levy." Since no debt service levy was used or is required for this loan repayment, it does not seem appropriate that the loan payment should be considered tax neutral.

Respectfully submitted,



Sharon Qualkenbush, Treasurer  
Director of Finance