

**HOUGHTON-PORTAGE TOWNSHIP
SCHOOL DISTRICT**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)**

YEAR ENDED JUNE 30, 2010



Houghton-Portage Township Schools



HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT

JUNE 30, 2010

ADMINISTRATION

Superintendent	William Polkinghorne
High School Principal	Kathryn Simila
Middle School Principal	James Luoma
Elementary Principal	Doreen Klingbeil

BOARD OF EDUCATION

President	Dan Crane
Vice President	Philip Foltz
Treasurer	Nels Christopherson
Secretary	Brad Baltensperger
Trustee	Mary Pachmayer
Trustee	Mark Mohler
Trustee	Bob Wheeler

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Houghton-Portage Township School District
Houghton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houghton-Portage Township School District as of and for the year then ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Houghton-Portage Township School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houghton-Portage Township School District as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2010 on our consideration of Houghton-Portage Township School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Houghton-Portage Township School District's financial statements as a whole. The additional information on pages 37 to 48 is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 9, 2010

**Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2010**

This section of Houghton-Portage Township School District annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

There was a proration of \$154 per student in the foundation allowance this year. This was more than offset by an enrollment increase of 36.4 FTE students. The foundation was further reduced by \$350,187 which was replaced by federal ARRA funds. Additional federal ARRA funds for Title I and special education programs totaled 107,000. The district received a private donation of \$100,000 to be earmarked for the purchase of textbooks, \$46,145 has been deferred for 2010-11..

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

Overview of the Financial Statements - Continued

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

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including the Debt Service Fund, School Food Service, Community Service and Athletic funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Service Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, School Food Service, Community Service and Athletic Funds.

**Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2010**

Summary of Net Assets

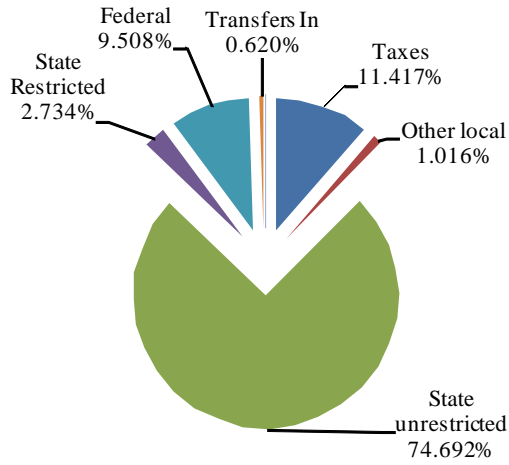
	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	\$ 2,823,833	\$ 2,557,692
Restricted cash and investments	496,531	6,601,333
Capital assets - Net of accumulated depreciation	<u>24,946,782</u>	<u>20,069,879</u>
Total Assets	<u>\$ 28,267,146</u>	<u>\$ 29,228,904</u>
Liabilities		
Current liabilities	\$ 5,656,020	\$ 5,707,141
Long-term liabilities	<u>25,050,334</u>	<u>25,998,155</u>
Total Liabilities	<u>30,706,354</u>	<u>31,705,296</u>
Net Assets		
Invested in capital assets - net of related debt	(3,548,578)	(8,758,084)
Restricted for debt service	123,104	107,583
Restricted for building and site project	427,015	5,840,072
Reserved	37,001	51,222
Designated	0	2,625
Unreserved	<u>522,250</u>	<u>280,190</u>
Total net assets	<u>(2,439,208)</u>	<u>(2,476,392)</u>
Total Liabilities and Net Assets	<u>\$ 28,267,146</u>	<u>\$ 29,228,904</u>

Results of Operations in Governmental Activities

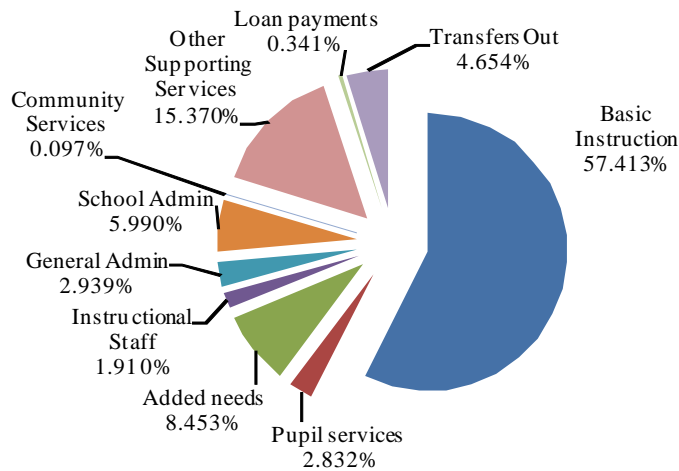
	<u>2010</u>	<u>2009</u>
Program Revenue:		
Charges for services	\$ 399,407	\$ 407,434
Grants and contributions	1,564,320	1,453,390
General Revenue:		
Property taxes	2,858,340	2,793,794
State foundation allowance	7,630,393	7,378,913
Transfers	(173,701)	98,749
Special item - sale of fixed assets	153,900	20,155
Other	<u>355,814</u>	<u>317,551</u>
Total Revenue	<u>12,788,473</u>	<u>12,469,986</u>
Functions/Program Expenses		
Instruction	7,178,645	1,754,981
Support services	3,160,985	8,386,601
School service	643,333	554,547
Athletics	320,515	304,347
Community services	50,784	56,851
Interest on long-term debt	1,385,672	1,188,718
Other debt	<u>11,355</u>	<u>71,083</u>
Total Expenses	<u>12,751,289</u>	<u>12,317,128</u>
Change in Net Assets	37,184	152,858
Net Assets - Beginning	<u>(2,476,392)</u>	<u>(2,629,250)</u>
Net Assets - Ending	<u>\$ (2,439,208)</u>	<u>\$ (2,476,392)</u>

The following charts highlight the District's General Fund activities:

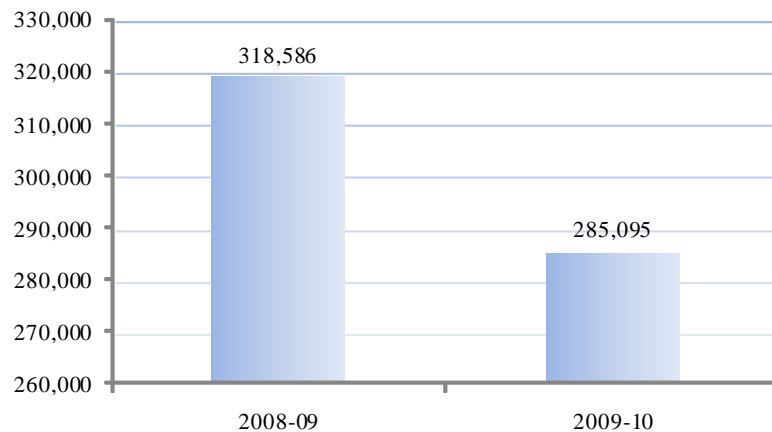
Revenues



Expenditures



Fund Balance



**Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2010**

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 10,215,846	\$ 9,996,204	\$ 219,642
Expenditures/Transfers	\$ 10,249,337	\$ 9,828,467	\$ 420,870
Fund Balance	\$ 285,095	\$ 318,586	\$ (33,491)
Debt Retirement Fund:			
Revenues/Transfers	\$ 2,125,151	\$ 1,817,914	\$ 307,237
Expenditures/Transfers	\$ 2,109,630	\$ 1,855,012	\$ 254,618
Fund Balance	\$ 123,104	\$ 107,583	\$ 15,521
School Service Fund:			
Revenues/Transfers	\$ 674,098	\$ 598,133	\$ 75,965
Expenditures/Transfers	\$ 643,333	\$ 554,547	\$ 88,786
Fund Balance	\$ 157,940	\$ 127,175	\$ 30,765
Athletic Fund:			
Revenues/Transfers	\$ 308,303	\$ 294,763	\$ 13,540
Expenditures/Transfers	\$ 310,301	\$ 292,820	\$ 17,481
Fund Balance	\$ 2,181	\$ 4,179	\$ (1,998)
Community Service Fund:			
Revenues/Transfers	\$ 53,633	\$ 58,867	\$ (5,234)
Expenditures/Transfers	\$ 40,794	\$ 51,574	\$ (10,780)
Fund Balance	\$ 47,719	\$ 34,880	\$ 12,839
Capital Projects Fund:			
Revenues/Transfers	\$ 170,088	\$ 17,126	\$ 152,962
Expenditures/Transfers	\$ 61,518	\$ 0	\$ 61,518
Fund Balance	\$ 142,126	\$ 33,556	\$ 108,570
Building and Site Fund:			
Revenues/Transfers	\$ 133,380	\$ 12,340,654	\$(12,207,274)
Expenditures/Transfers	\$ 5,546,437	\$ 6,500,582	\$ (954,145)
Fund Balance	\$ 427,015	\$ 5,840,072	\$ (5,413,057)

General Fund - A \$350,187 reduction in the state foundation was replaced with federal ARRA (American Recovery and Reinvestment Act) funds. There was an additional \$154 per pupil foundation proration that was not replaced with federal funds. There were additional new ARRA funds for Title I and special education programs. A \$100,000 donation allowed the district to significantly upgrade textbooks at the Elementary school, \$46,145 has been deferred for 2010-11. There was an increase in staff at the elementary school, a .5 FTE title I teacher and a .6 FTE counselor. Health insurance costs increased approximately \$75,000. Through negotiations the staff agreed to a lower cost health plan with the savings going to an increase in salaries.

Debt Service Fund - There was an increase in borrowing from the School Loan Revolving Fund due to the issuance the previous year of 12.295 million in bonds for construction and building improvements.

School Service Fund - The district began supplying breakfast and lunch to the CCISD Learning Center and the Bridge School.

Athletic Fund - Revenues and Expenditures were fairly similar to the previous year.

Community Service Fund - Revenues were down due to the elimination of the GED testing program. Expenditures were down for the same reason, as well as a reduction in Kindergarten Childcare expenses.

**Houghton-Portage Township School District
Management's Discussion and Analysis
June 30, 2010**

Significant Transactions and Changes in Individual Funds (Continued)

Capital Projects Fund - The capital projects fund is funded by building rentals and the sale of fixed assets and is intended to provide funds for non-regular building repair and maintenance projects. In 2009-10 the district re-acquired the Portage Township Library building due to a reversionary clause in the deed, and then sold the building to the City of Houghton. Proceeds of the sale were deposited in this fund for future capital projects needs.

Building and Site Fund - The Building and Site was drawn down considerably as the project nears completion.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2010, the original budget was adopted on June 15, 2009. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 9,880,434	\$ 10,153,728	\$ 10,151,121	\$ (2,607)	0.0%
Expenditures					
Instruction	\$ 6,681,324	\$ 6,805,898	\$ 6,750,817	\$ 55,081	0.8%
Supporting services	2,839,757	2,983,259	2,976,504	6,755	0.2%
Community services	10,402	8,402	9,990	(1,588)	-15.9%
Total expenditures	\$ 9,531,483	\$ 9,797,559	\$ 9,737,311	\$ 60,248	0.6%
Other financing sources (uses)	\$ (104,049)	\$ (455,000)	\$ (447,301)	\$ (7,699)	1.7%

Final budget to actual show minimal variances, except for Community services.

The Community Services fund had an unforeseen increase in utility costs due to winter-time construction/renovations of Bugni Field athletics facilities. The dollar amount of the budget variance was small, but due to the small size of the budget the percentage variance was large.

Capital Assets and Debt Administration

Capital Assets: The capital improvements project begun in the previous school year is about 97% complete as of June 30, 2010. The new addition of a gymnasium and additional classrooms was dedicated in January 2010. Total purchases totaled \$5,652,420 and the disposals totaled \$115,112 resulting in a net increase of \$5,537,308.

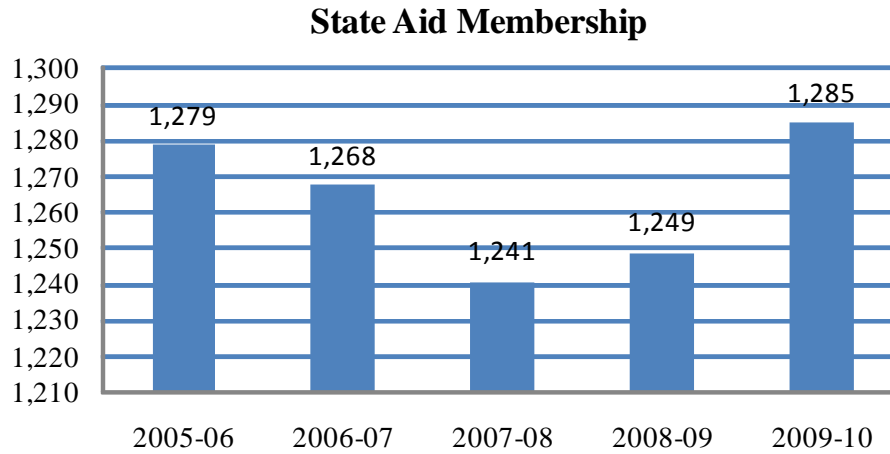
Additional information on the District's capital assets can be found on page 25 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$28,571,171. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$441,131.

Additional information on the District's long-term debt can be found on pages 27 through 31 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

The graph depicts a 2.8% increase in the number of students enrolled from the previous year, using the State Aid Membership Count.



State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act, approved by the State Legislature, provides a foundation amount (amount per student) of \$7,316 for the 2009-10 school year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Houghton-Portage Township School District.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS:

CURRENT ASSETS:

Cash and cash equivalents	\$ 425,780
Investments	394,776
Taxes receivable	243,516
Accounts receivable	44,444
Due from student groups	42,003
Due from other governmental units	1,605,409
Prepaid expenses	6,015
Inventories	61,890

TOTAL CURRENT ASSETS 2,823,833

NONCURRENT ASSETS:

Restricted cash	16,949
Restricted investments	479,582
Capital assets	33,009,951
Less: Accumulated depreciation	<u>(8,063,169)</u>
	<u>24,946,782</u>

TOTAL NONCURRENT ASSETS 25,443,313

TOTAL ASSETS \$ 28,267,146

LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	\$ 500,369
Accrued expenses	268,087
Accrued interest	2,266,545
Other current liabilities	3,982
Due to governmental units	25,358
Short-term note payable	1,274,000
Bonds payable within one year	1,254,292
Deferred revenue	63,388

TOTAL CURRENT LIABILITIES 5,656,021

NONCURRENT LIABILITIES:

Bonds payable, due in more than one year	20,781,651
Compensated absences	75,810
School bond loan program payable	4,192,872

TOTAL NONCURRENT LIABILITIES 25,050,333

TOTAL LIABILITIES 30,706,354

NET ASSETS:

Invested in capital assets, net of related debt	(3,548,578)
Restricted for debt service	123,104
Restricted for building and site	366,294
Reserved	61,890
Unreserved	558,082

TOTAL NET ASSETS (2,439,208)

TOTAL LIABILITIES AND NET ASSETS \$ 28,267,146

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

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

		Program Revenues		Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 7,178,645	\$ -	\$ 1,313,139	\$ (5,865,506)
Support services	3,160,985	25,405	-	(3,135,580)
School service	643,333	449,854	220,945	27,466
Athletics	320,515	45,804	24,040	(250,671)
Community services	50,784	53,208	-	2,424
Interest on long-term debt	1,385,672	-	-	(1,385,672)
Other debt service	11,355	-	6,196	(5,159)
Total Governmental Activities	\$ 12,751,289	\$ 574,271	\$ 1,564,320	(10,612,698)
General Revenues:				
Property taxes, levied for general operations				1,166,307
Property taxes, levied for debt service				1,675,483
Other taxes				16,550
State school aid - unrestricted				7,630,393
Interest and investment earnings				146,236
Other				34,714
Transfers				(173,701)
Special item - sale of fixed assets				153,900
Total general revenues, transfers, and special items				10,649,882
Change in Net Assets				37,184
Net Assets - Beginning				(2,476,392)
Net Assets - Ending				\$ (2,439,208)

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

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Building and Site</u>	<u>Other Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and cash equivalents	\$ 91,546	\$ -	\$ -	\$ 334,234	\$ 425,780
Investments	394,776	-	-	-	394,776
Taxes receivable	124,464	119,052	-	-	243,516
Accounts receivable	13,368	-	-	31,076	44,444
Due from other governmental units	1,598,320	-	-	7,089	1,605,409
Due from other funds	32,016	-	-	55,001	87,017
Due from student groups	41,706	-	-	297	42,003
Inventory	-	-	-	61,890	61,890
Prepaid expenses	6,015	-	-	-	6,015
Restricted cash	-	16,949	-	-	16,949
Restricted investments	-	60	479,522	-	479,582
TOTAL ASSETS	\$ 2,302,211	\$ 136,061	\$ 479,522	\$ 489,587	\$ 3,407,381
LIABILITIES:					
Accounts payable	\$ 336,283	\$ -	\$ 113,228	\$ 50,858	\$ 500,369
Accrued expenses	263,096	-	-	4,991	268,087
Due to other funds	54,991	12,957	-	19,069	87,017
Due to governmental unit	25,358	-	-	-	25,358
Short-term notes payable	1,274,000	-	-	-	1,274,000
Deferred revenue	63,388	-	-	-	63,388
Other liabilities	-	-	-	3,982	3,982
TOTAL LIABILITIES	2,017,116	12,957	113,228	78,900	2,222,201
FUND BALANCES:					
Restricted	-	123,104	366,294	61,890	551,288
Unreserved	285,095	-	-	348,797	633,892
TOTAL FUND BALANCES	285,095	123,104	366,294	410,687	1,185,180
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,302,211	\$ 136,061	\$ 479,522	\$ 489,587	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,946,782
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(26,304,625)
Accrued interest is not included as a liability in governmental funds	<u>(2,266,545)</u>
Net assets of governmental activities	<u>\$ (2,439,208)</u>

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

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	General Fund	Debt Service Fund	Building and Site	Other Non-Major Funds	Totals
Revenues					
Local sources	\$ 1,270,072	\$ 1,703,955	\$ 133,380	\$ 592,677	\$ 3,700,084
State sources	7,909,696	6,196	-	18,021	7,933,913
Federal sources	971,353	-	-	202,924	1,174,277
Total revenues	<u>10,151,121</u>	<u>1,710,151</u>	<u>133,380</u>	<u>813,622</u>	<u>12,808,274</u>
Expenditures					
Instruction	6,750,817	-	-	-	6,750,817
Supporting services	2,976,504	-	5,607,158	797	8,584,459
School service	-	-	-	643,333	643,333
Athletics	-	-	-	310,301	310,301
Community services	9,990	-	-	40,794	50,784
Debt Service	-	2,109,630	-	-	2,109,630
Total expenditures	<u>9,737,311</u>	<u>2,109,630</u>	<u>5,607,158</u>	<u>995,225</u>	<u>18,449,324</u>
Excess (deficiency) of revenue over expenditures	<u>413,810</u>	<u>(399,479)</u>	<u>(5,473,778)</u>	<u>(181,603)</u>	<u>(5,641,050)</u>
Other Financing Sources (Uses)					
Operating transfers in (out)	(240,000)	-	-	240,000	-
Transfers from other districts	63,325	-	-	-	63,325
Transfers to other districts	(237,026)	-	-	-	(237,026)
Loan payments	(35,000)	-	-	-	(35,000)
Bond proceeds	-	415,000	-	-	415,000
Total other financing sources (uses)	<u>(448,701)</u>	<u>415,000</u>	<u>-</u>	<u>240,000</u>	<u>206,299</u>
Special Items					
Proceeds from sale of capital assets	1,400	-	-	152,500	153,900
Net Change in Fund Balance	(33,491)	15,521	(5,473,778)	210,897	(5,280,851)
Fund Balances - Beginning of year	318,586	107,583	5,840,072	199,790	
Fund Balances - End of year	<u>\$ 285,095</u>	<u>\$ 123,104</u>	<u>\$ 366,294</u>	<u>\$ 410,687</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	4,876,903
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(200,090)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(415,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>1,056,222</u>
Change in net assets of governmental activities	<u>\$ 37,184</u>

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

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	Fiduciary Fund
ASSETS	
Cash	\$ 314,781
TOTAL ASSETS	\$ 314,781
 LIABILITIES	
Due to general fund	\$ 41,707
Due to School Service fund	297
Due to student groups	107,893
Scholarship funds	164,884
TOTAL LIABILITIES	\$ 314,781

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

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The Houghton-Portage Township School District (the "District") is governed by the Houghton-Portage Township School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designated management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

Excluded from the reporting entity:

Houghton-Portage Township Schools Foundation, Inc.

The potential component unit has a separately elected board and provides assistance with development, implementation, and/or maintenance of educational programs which significantly contribute to the education and personal growth of Houghton-Portage Township School students. The Foundation is excluded from the reporting entity because the District does not have the ability to exercise influence or control over the operations, approve budgets, or provide funding.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

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

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

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

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Building and Site Fund - The 2008 Bond issue for construction and improvements activities are accounted for in the Building and Site Fund.

Other Non-Major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Service Fund, Athletic Activities, and Community Service Activities.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds – Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are not included in the government-wide statements.

The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities).

The Scholarship Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals or private organizations designated for scholarship purposes. The Fund distributes the assets according to scholarship requirements.

Accrual Method – The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

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

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

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts and the local county treasurer. For the year ended June 30, 2010, the foundation allowance was based on pupil membership counts taken in February and September of 2009, 2008, and 2007 for a three year blended average.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2009 to August 2010. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foundation		\$	7,316.00
Less Local Support:			
Assumed Local Revenue	1,169,584		
Divided by General Education K-12 membership	<u>1,264.96</u>		
Calculated Local Support			<u>(924.60)</u>
Foundation Grant Allowance Per Pupil		\$	<u>6,391.40</u>

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenues earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Deposits – The District’s cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposits.

Property Taxes – Property taxes levied by the District are collected by the City of Houghton and Portage Township and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2010, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	18.000
Debt service fund - Homestead and non-homestead	8.8900

Receivables and Payables – Activity between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory – General Fund utilizes the purchase method of recording inventories and supplies. Inventory in the District’s School Food Service Fund and Gremingdales (book store) consists of food, a la carte items, supplies, and USDA commodities totaling \$61,890. The District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

Capital Assets – Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits – The liabilities for compensated absences reported in the district-wide statements in the amount of \$75,810 consisted of accrued vacation.

Accrued vacation time is payable upon termination of employment or retirement. Accrued sick leave is not paid to employees upon termination of employment or retirement, thus there is not vested liability for unused sick leave.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the District’s actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the General Fund are noted in the required supplementary information section.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE C - DEPOSITS AND INVESTMENTS

At year-end, the District’s cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 425,780	\$ 0	\$ 425,780
Restricted cash	16,949	314,781	331,730
Total cash and cash equivalents	<u>442,729</u>	<u>314,781</u>	<u>757,510</u>
Investments	394,776	0	394,776
Restricted investments	479,582	0	479,582
Total investments	<u>874,358</u>	<u>0</u>	<u>874,358</u>
Total deposits and investments	<u>\$ 1,317,087</u>	<u>\$ 314,781</u>	<u>\$ 1,631,868</u>

As of June 30, 2010 the District had the following investments:

Investment Type	Fair Value	Rating
MILAF - MIMAX	\$ 773,129	AAA
MILAF-CASH MGMT	101,229	AAA
TOTAL	<u>\$ 874,358</u>	

Investment and Deposit Risk

Interest Rate Risk – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements. The District’s investments held at year end do not have maturity dates.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2010, \$432,137 of the District’s bank balance of \$1,014,194 was exposed to custodial credit risk because it was uninsured and collateralized.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investment listed above, there is no custodial credit risk, as these investment are uncategorized as to credit risk.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

NOTE D - CAPITAL ASSETS

Capital Asset activity of the District’s governmental activities was as follows:

	Balance 06/30/09	Additions	Deletions	Balance 06/30/10
Land	\$ 1,323,619	\$ 0	\$ 0	\$ 1,323,619
Fixed assets being depreciated:				
Building and additions	22,714,505	4,689,700	0	27,404,205
Improvements other than building	163,013	308,054	0	471,067
Equipment and furniture	2,060,285	624,931	115,112	2,570,104
Vehicles other than buses	169,551	25,495	0	195,046
School buses	724,165	0	0	724,165
Other assets	317,505	4,240	0	321,745
			0	
Subtotal	<u>26,149,024</u>	<u>\$ 5,652,420</u>	<u>\$ 115,112</u>	<u>31,686,332</u>
Accumulated depreciation:				
Building and additions	5,807,023	\$ 480,177	\$ 0	6,287,200
Improvements other than building	78,629	18,666	0	97,295
Equipment and furniture	444,575	225,315	115,112	554,778
Vehicles other than buses	161,952	5,915	0	167,867
School buses	659,867	35,209	0	695,076
Other assets	250,717	10,236	0	260,953
Subtotal	<u>7,402,763</u>	<u>\$ 775,518</u>	<u>\$ 115,112</u>	<u>8,063,169</u>
Net capital assets being depreciated	<u>18,746,261</u>			<u>23,623,163</u>
Net capital assets	<u>\$ 20,069,880</u>			<u>\$ 24,946,782</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE D - CAPITAL ASSETS (Continued)

Depreciation expense was charged to activities of the District as follows:

Governmental activities	
Athletic	\$ 10,214
Instruction	536,357
Operations	42,119
Technology	34,716
Transportation	37,001
Total governmental	<u>\$ 660,407</u>

NOTE E - RECEIVABLES

Receivables from governmental units at June 30, 2010 that are expected to be collected within one year consist of the following:

	General Fund	Debt Service	School Service	Athletic Fund	Capital Project	Total
Accounts	\$ 13,368	\$ 0	\$ 25,483	\$ 2,691	\$ 2,902	\$ 44,444
Taxes	124,464	119,052	0	0	0	243,516
Local		0	0	0	0	0
State Aid	1,447,714	0	0	0	0	1,447,714
Federal	150,606	0	7,089	0	0	157,695
	<u>\$ 1,736,152</u>	<u>\$ 119,052</u>	<u>\$ 32,572</u>	<u>\$ 2,691</u>	<u>\$ 2,902</u>	<u>\$ 1,893,369</u>

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2010 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	\$ 32,016	General	\$ 54,991
School Service	11,904	School Service	297
Community Service	13,196	Athletic	19,059
Capital projects	30,198	Community Service	10
		Debt Retirement	12,957
TOTAL	<u>\$ 87,314</u>	TOTAL	<u>\$ 87,314</u>

Fund	Transfer In	Fund	Transfer Out
School Service	\$ 2,000	General	\$ 2,000
Athletic	238,000	General	238,000
TOTAL	<u>\$ 240,000</u>	TOTAL	<u>\$ 240,000</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE G - PAYABLES

Accounts payable and accrued liabilities as of June 30, 2010, for the District’s governmental funds individual major funds and non-major funds in the aggregate, are as follows:

	General	Building and Site	Non-Major Funds	Total
Accounts payable	\$ 336,283	\$ 52,507	\$ 111,579	\$ 500,369
Salaries payable	11,949	0		11,949
Accrued expenses	251,147	0	4,991	256,138
	<u>\$ 599,379</u>	<u>\$ 52,507</u>	<u>\$ 116,570</u>	<u>\$ 768,456</u>

NOTE H - SHORT-TERM NOTE PAYABLE

On August 20, 2009, the District obtained a one year operating loan from the Michigan Municipal Bond Authority in the amount of \$1,400,000 with an interest rate of 1.700 %. The loan, which is pledged by future state aid payments, will provide funds for general operating expenditures. Interest is due semi-annually and principal is due at maturity on August 20, 2010.

NOTE I - LONG TERM DEBT

Bonds Payable 1991 Issue

On August 29, 1991, the District issued \$435,180 of unlimited tax general obligation bonds to advance refund \$435,077 of School Bond Loan Fund loans.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 4.6% to 7.1% per annum. Interest payments started on May 15, 1992, and are payable semiannually on May 15, and November 15 as indicated. The bonds are to be both term and serial.

Bonds maturing on or after May 15, 2002, shall be subject to redemption prior to maturity at the option of the School Board in such order as the School Board may determine and by lot within any maturity, on any May 15 or November 15 occurring on or after May 15, 2001, at par.

Fiscal Year	May 15 Interest	May 15 Principal	Total
2010-2011	<u>\$ 41,097</u>	<u>\$ 13,903</u>	<u>\$ 55,000</u>

2001 Energy Conservation Improvement Bond

On June 25, 2001, the District issued \$310,000 of Energy Conservation Improvement Bonds. The proceeds of the bonds were used for roof repairs and other improvements that would conserve energy.

The bond issue matures as indicated below with interest not to exceed 5% per annum. Interest payments started on November 1, 2001, and are payable semiannually on May 1, and November 1, as indicated. The bonds are to be both term and serial.

Fiscal Year	November 1 Interest	May 1 Interest	May 1 Principal	Total
2010-2011	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 40,000</u>	<u>\$ 42,000</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE I - LONG TERM DEBT (Continued)

2002 Advance Refunding

On January 21, 2002, the District issued \$6,715,000 of general obligation unlimited tax bonds to advance refund \$6,485,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to pay certain costs of issuance relating to the refunding of the 1992 Refunding Bonds dated January 1, 1993.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 2.85% to 4.50% per annum. Interest payments started on November 1, 2002, and are payable semiannually on May 1, and November 1, as indicated. The bonds are to be both term and serial.

The Bonds, or \$5,000 portions thereof, maturing on or after May 1, 2013 shall be subject to redemption prior to maturity, at the option of the Issuer in such order as the Issuer may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2012, at par and accrued interest to the date fixed for redemption.

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2010-2011	\$ 65,285	\$ 65,285	\$ 640,000	\$ 770,570
2011-2012	52,005	52,005	740,000	844,010
2012-2013	36,280	36,280	790,000	862,560
2013-2014	18,900	18,900	840,000	877,800
	<u>\$ 172,470</u>	<u>\$ 172,470</u>	<u>\$ 3,010,000</u>	<u>\$ 3,354,940</u>

2008 Advance Refunding

On February 14, 2008, the District issued general obligation bonds of \$7,600,000. Proceeds from this bond issue were used to advance refund a portion of the 1998 refunding bonds. The refunding was undertaken to reduce annual debt service payments by \$789,520 and to reduce interest at an estimated value of \$126,573 for a total estimated savings of \$916,093.

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2019, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2018, at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2019 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at the redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date.

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2010-2011	\$ 140,713	\$ 140,713	\$ 330,000	\$ 611,426
2011-2012	134,938	134,938	320,000	589,876
2012-2013	129,338	129,338	315,000	573,676
2013-2014	123,431	123,431	315,000	561,862
2014-2015	117,525	117,525	485,000	720,050
2015-2016	107,825	107,825	475,000	690,650
2016-2021	376,075	376,075	2,435,000	3,187,150
2021-2026	132,400	132,400	2,235,000	2,499,800
	<u>\$ 1,262,245</u>	<u>\$ 1,262,245</u>	<u>\$ 6,910,000</u>	<u>\$ 9,434,490</u>

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

NOTE I - LONG TERM DEBT (Continued)

2008 Building and Site Bond

On October 1, 2008, the District issued \$12,295,000 of general obligation - unlimited tax bonds for the purpose of erecting, furnishing and equipping an addition to the middle and high school; remodeling, furnishing and refurbishing, and equipping and re-equipping existing school facilities; acquiring and installing education technology in school buildings; and developing and improving athletic facilities, play fields and sites.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 6% per annum payable on May 1, 2010, and semiannually thereafter on the first day of November and May in each year; and shall mature on May 1 in each year until 2029.

Bond maturing in the years 2019 through 2029, inclusive, are eligible for designation by the original purchaser at the time of sale as serial bonds or term bonds, or both. However, principal maturities designated as term bonds shall be subject to mandatory redemption, in part, by lot, at par and accrued interest on May 1 of the year in which the Bonds are presently scheduled to mature. Each maturity of term Bonds and serial Bonds must carry the same interest rate.

Optional Redemption: Bonds of this issue maturing in the years 2010 through 2018, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of Bonds in multiples of \$5,000 of this issue maturing in the year 2019 and thereafter, shall be subject to redemption prior to maturity, at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2018, at par plus accrued interest to the date fixed for redemption.

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2010-2011	\$ 251,275	\$ 251,275	\$ 225,000	\$ 727,550
2011-2012	246,775	246,775	245,000	738,550
2012-2013	241,875	241,875	255,000	738,750
2013-2014	236,775	236,775	260,000	733,550
2014-2015	231,575	231,575	650,000	1,113,150
2015-2016	218,575	218,575	700,000	1,137,150
2016-2021	877,575	877,575	3,685,000	5,440,150
2021-2026	494,156	494,156	3,750,000	4,738,312
2026-2029	101,250	101,250	2,250,000	2,452,500
	<u>\$ 2,899,831</u>	<u>\$ 2,899,831</u>	<u>\$ 12,020,000</u>	<u>\$ 17,819,662</u>

Durant Bond

As part of the Durant settlement non-plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The District participated in the bonding option and on November 24, 1998 issued \$88,227 of school improvement bonds for the purpose of purchasing various supplies and equipment for technological improvements to the District.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 1999 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

NOTE I - LONG TERM DEBT (Continued)

Durant Bond (Continued)

The bond is not subject to redemption prior to maturity and the District will not issue any other bonds or obligations for the purpose of refunding this bond. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bond is the obligation of the District, not the State.

As part of the State of Michigan Executive Budget Recommendation for fiscal year 2008 the bonds were “refunded.” The debt service payment schedules for the districts that chose to bond have changed. However, the refunding did not change the total payments for any of the borrowers.

<u>Fiscal Year</u>	<u>May 15 Interest</u>	<u>May 15 Principal</u>	<u>Total</u>
2010-2011	\$ 807	\$ 5,389	\$ 6,196
2011-2012	550	5,645	6,195
2012-2013	10,620	31,007	41,627
	<u>\$ 11,977</u>	<u>\$ 42,041</u>	<u>\$ 54,018</u>

School Bond Loan Fund

The District borrowed from the Michigan School Bond Loan Fund (SBLF) for the purpose of making principal and interest payments on bond issues. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can lend the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. At June 30, 2010, the principal balance due to the School Bond Loan Fund was \$3,596,000 and accrued interest in the amount of \$2,089,786.

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the District's bond issues. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans from the School Bond Loan Fund is established by the State at the time of borrowing and remains fixed for that specific borrowing until repayment. The rate at June 30, 2010 was 5.375%.

School Loan Revolving Fund

During the year ended June 30, 2010, the District borrowed from the Michigan School Loan Revolving Fund (SLRF) for the purpose of making principal and interest payments on the above bond issues. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can lend the District funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. At June 30, 2010, the principal outstanding was \$596,872 and \$18,834 of accrued interest. The rate at June 30, 2010 was 3.22111%.

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

NOTE I - LONG TERM DEBT (Continued)

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2010:

	Balance June 30, 2009	Increase	Decrease	Balance June 30, 2010	Current Portion
1991 SBLF Refunding	\$ 59,981	\$ 0	\$ 46,079	\$ 13,902	\$ 13,903
2008 Building & Site	12,170,000	0	150,000	12,020,000	225,000
2008 Refunding	7,215,000	0	305,000	6,910,000	330,000
2002 Refunding	3,525,000	0	515,000	3,010,000	640,000
Energy Bond	75,000	0	35,000	40,000	40,000
Durant Bond	47,185	0	5,144	42,041	5,389
SBLF	3,596,000	0	0	3,596,000	0
SLRF	181,872	415,000	0	596,872	0
	<u>26,870,038</u>	<u>415,000</u>	<u>1,056,223</u>	<u>26,228,815</u>	<u>\$ 1,254,292</u>
SBLF Accrued Interest	1,778,217	311,569	0	2,089,786	
SLRF Accrued Interest	6,002	12,832	0	18,834	
Other Accrued Interest	173,706	0	15,781	157,925	
Accrued Benefits	184,339	0	108,529	75,810	
TOTAL	<u>\$ 29,012,302</u>	<u>\$ 739,401</u>	<u>\$ 1,180,533</u>	<u>\$ 28,571,170</u>	

As of June 30, 2010, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
2010-2011	\$ 1,254,292	\$ 958,450	\$ 2,212,742
2011-2012	1,310,645	867,986	2,178,631
2012-2013	1,391,007	825,606	2,216,613
2013-2014	1,415,000	758,212	2,173,212
2014-2015	1,135,000	698,200	1,833,200
2015-2016	1,175,000	652,800	1,827,800
2016-2021	6,120,000	2,507,300	8,627,300
2021-2026	5,985,000	1,253,112	7,238,112
2026-2029	6,442,871	1,986,719	8,429,590
	<u>\$ 26,228,815</u>	<u>\$ 10,508,385</u>	<u>\$ 36,737,200</u>

NOTE J - DEFINED BENEFIT PENSION PLAN

Plan Description

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

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, PO Box 30171, Lansing, Michigan 48909, by calling (517) 322-5103 or online at the State of Michigan's web-site: <http://www.michigan.gov/orsschools>.

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The District was required by the state statute to contribute 16.54% of covered compensation through September 30, 2009 and 16.94% of covered compensation to the Plan for the remainder of the year. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The total amount contributed to MPSERS for the years ended June 30, 2010, 2009, and 2008, were \$888,522, \$854,683, and \$871,222 respectively, equal to the required contributions for each year.

Other Post Employee Benefits

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

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

- Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
- Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

The District is not responsible for the payment of retirement benefits or post-employment benefits which is the responsibility of the State of Michigan.

NOTE K - 403(b) RETIREMENT PLAN

In 2008-09 the District established a 403(b) plan, a qualified, tax sheltered annuity or custodial account plan for the exclusive benefit of eligible employees and their beneficiaries. The plan is self administered by the District with a plan year ending each December 31. Participants in the plan must be an employee receiving compensation for personal service in covered employment.

The plan is intended to be a qualified tax sheltered annuity or custodial account plan in which payments are taxable to the recipient only upon actual distribution of benefits under Section 72 and 403(b) of the Internal Revenue Code of 1986, as amended (the Code).

The Employer is not required to make contributions. Accounts are established by the employee's investment provider for each type of contribution.

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2010

NOTE L - FUND BALANCES

Reserved - The School Service Fund, represents inventory in the amount of \$61,890.

Restricted - The Debt Service Fund balance is restricted for retirement of debt and the Building and Site fund balance is restricted for the 2008 Bond construction project.

NOTE M - ECONOMIC DEPENDENCY

The District received approximately 74% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

NOTE N - CONTINGENT LIABILITIES

Risk Pool

Houghton-Portage Township School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Houghton-Portage Township School District joined together with other school districts currently operating a common risk management and insurance program. Houghton-Portage Township School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Houghton-Portage Township School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2010, which can be obtained through the District.

NOTE O - SUBSEQUENT EVENTS

Michigan Finance Authority: On August 20, 2010, the District entered into three notes with the Michigan Finance Authority School Loan Fund.

Revenue Note Series 2010D-1 is for \$140,000. Set-Aside payments will be taken from the monthly State Aid payments to the District starting with the January 20, 2010 payment. The interest rate on the Note shall not exceed .8 % per annum. The note matures on July 20, 2011.

Revenue Note Series 2010D-2 is for \$693,000. The interest rate on the Note shall not exceed .4% per annum. The note matures on August 22, 2010.

Revenue Note Series 2010D-3 is for \$567,000. The interest rate on the Note shall not exceed .4% per annum. The note matures on August 22, 2010.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources	\$ 1,216,557	\$ 1,320,084	\$ 1,270,072	\$ (50,012)
State sources	8,174,741	7,870,313	7,909,696	39,383
Federal sources	489,136	963,331	971,353	8,022
TOTAL REVENUE	9,880,434	10,153,728	10,151,121	(2,607)
EXPENDITURES:				
Instruction	6,681,324	6,805,898	6,750,817	55,081
Supporting services	2,839,757	2,983,259	2,976,504	6,755
Community services	10,402	8,402	9,990	(1,588)
TOTAL EXPENDITURES	9,531,483	9,797,559	9,737,311	60,248
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	348,951	356,169	413,810	57,641
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	60,000	60,000	63,325	3,325
Sale of fixed assets	-	-	1,400	1,400
Operating transfers out	(238,000)	(238,000)	(240,000)	2,000
Other outgoing transfers	(275,000)	(242,000)	(237,026)	4,974
Principle and interest payments	-	(35,000)	(35,000)	-
Total other financing sources (uses)	(104,049)	(455,000)	(447,301)	11,699
NET CHANGE IN FUND BALANCE	\$ 244,902	\$ (98,831)	(33,491)	\$ 69,340
FUND BALANCE - BEGINNING OF YEAR			318,586	
FUND BALANCE - END OF YEAR			\$ 285,095	

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	BUDGET	ACTUAL	VARIANCE	2009
REVENUES:				
Local sources:				
Taxes	\$ 1,169,584	\$ 1,166,307	\$ (3,277)	\$ 1,168,063
Penalties and interest	11,000	3,958	(7,042)	11,021
Investment revenue	10,000	9,655	(345)	17,038
Rentals	12,000	9,362	(2,638)	11,014
Contributions	105,000	62,483	(42,517)	15,358
Miscellaneous	12,500	18,307	5,807	13,723
Total local sources	<u>1,320,084</u>	<u>1,270,072</u>	<u>(50,012)</u>	<u>1,236,217</u>
State sources:				
Unrestricted grants:				
State aid	7,591,760	7,630,393	38,633	7,378,913
Restricted grants:				
At-risk	117,183	117,933	750	114,098
Special education	161,370	161,370	-	155,218
Total restricted grants	<u>278,553</u>	<u>279,303</u>	<u>750</u>	<u>269,316</u>
Total state sources	<u>7,870,313</u>	<u>7,909,696</u>	<u>39,383</u>	<u>7,648,229</u>
Federal sources:				
Title I	311,180	312,291	1,111	196,044
Title II	74,964	79,117	4,153	87,003
Even start	227,000	227,000	-	225,000
Healthy Hearts	-	2,758	2,758	464,389
American Recovery and Reinvestment Act	350,187	350,187	-	-
Total federal sources	<u>963,331</u>	<u>971,353</u>	<u>8,022</u>	<u>972,436</u>
TOTAL REVENUES	<u>10,153,728</u>	<u>10,151,121</u>	<u>(2,607)</u>	<u>9,856,882</u>
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	2,355,054	2,361,709	(6,655)	2,258,636
Middle School	1,257,831	1,252,264	5,567	1,158,095
High School	2,332,702	2,270,446	62,256	2,244,903
Total basic program	<u>5,945,587</u>	<u>5,884,419</u>	<u>61,168</u>	<u>5,661,634</u>
Added needs:				
Special education - Elementary School	134,141	134,958	(817)	127,364
Special education - Middle School	126,927	123,938	2,989	121,425
Special education - High School	265,461	265,963	(502)	259,906
Compensatory education	236,161	241,146	(4,985)	189,326
At-risk	40,271	43,043	(2,772)	40,530
Vocational education	57,350	57,350	-	51,800
Technical skills training	-	-	-	225,000
Total added needs	<u>860,311</u>	<u>866,398</u>	<u>(6,087)</u>	<u>1,015,351</u>
Total instruction	<u>6,805,898</u>	<u>6,750,817</u>	<u>55,081</u>	<u>6,676,985</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2010

Supporting services:	BUDGET	ACTUAL	VARIANCE	2009
Pupil:				
Guidance	268,892	275,302	(6,410)	217,836
Health	1,304	640	664	1,695
Attendance	2,300	2,101	199	2,097
Social Work	11,500	12,222	(722)	11,502
Total pupil	<u>283,996</u>	<u>290,265</u>	<u>(6,269)</u>	<u>233,130</u>
Instructional staff:				
Improvement of instruction	19,696	21,750	(2,054)	23,740
Library	188,926	173,984	14,942	175,171
Total instructional staff	<u>208,622</u>	<u>195,734</u>	<u>12,888</u>	<u>198,911</u>
General administration:				
Board of education	113,391	116,511	(3,120)	107,976
Executive administration	183,523	184,682	(1,159)	206,859
Total general administration	<u>296,914</u>	<u>301,193</u>	<u>(4,279)</u>	<u>314,835</u>
School administration:				
Office of principal - Elementary School	221,116	220,110	1,006	216,313
Office of principal - Middle School	177,572	180,497	(2,925)	170,482
Office of principal - High School	215,428	213,377	2,051	222,907
Total school administration	<u>614,116</u>	<u>613,984</u>	<u>132</u>	<u>609,702</u>
Business-fiscal services	<u>220,680</u>	<u>200,934</u>	<u>19,746</u>	<u>212,215</u>
Operation & maintenance	<u>898,483</u>	<u>922,440</u>	<u>(23,957)</u>	<u>827,090</u>
Pupil transportation	<u>363,948</u>	<u>359,603</u>	<u>4,345</u>	<u>350,733</u>
Other technical support	<u>96,500</u>	<u>92,351</u>	<u>4,149</u>	<u>112,286</u>
Total supporting services	<u>2,983,259</u>	<u>2,976,504</u>	<u>6,755</u>	<u>2,858,902</u>
Community services	<u>8,402</u>	<u>9,990</u>	<u>(1,588)</u>	<u>5,277</u>
TOTAL EXPENDITURES	<u>9,797,559</u>	<u>9,737,311</u>	<u>60,248</u>	<u>9,541,164</u>
EXCESS OF REVENUES OVER EXPENDITURES	356,169	413,810	57,641	315,718
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	60,000	63,325	3,325	111,092
Sale of fixed assets	-	1,400	1,400	22,698
Operating transfer out	(238,000)	(240,000)	(2,000)	(239,960)
Other outgoing transfers	(242,000)	(237,026)	4,974	(12,343)
Loan payments	(35,000)	(35,000)	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(455,000)</u>	<u>(447,301)</u>	<u>7,699</u>	<u>(153,513)</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2010

	BUDGET	ACTUAL	VARIANCE	2009
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (98,831)	(33,491)	\$ 65,340	162,205
FUND BALANCE, BEGINNING OF YEAR		318,586		150,849
FUND BALANCE, END OF YEAR		\$ 285,095		\$ 318,586

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Local sources:				
Taxes:				
Current taxes	\$ 1,628,945	\$ 1,675,483	\$ 46,538	\$ 1,602,114
Other taxes	13,150	9,246	(3,904)	11,723
Penalties & interest on delinquent taxes	5,000	2,269	(2,731)	6,961
Total taxes	<u>1,647,095</u>	<u>1,686,998</u>	<u>39,903</u>	<u>1,620,798</u>
Other:				
State grant	6,197	6,196	(1)	6,196
Miscellaneous	13,500	16,957	3,457	25,708
TOTAL REVENUES	<u>1,666,792</u>	<u>1,710,151</u>	<u>43,359</u>	<u>1,652,702</u>
EXPENDITURES:				
Interest on bonds	1,077,802	1,077,052	750	860,526
Redemption of bond principle	1,021,223	1,021,223	-	984,786
Tax collection fees	6,000	6,232	(232)	5,297
Other expense	15,025	5,123	9,902	4,403
TOTAL EXPENDITURES	<u>2,120,050</u>	<u>2,109,630</u>	<u>10,420</u>	<u>1,855,012</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(453,258)	(399,479)	53,779	(202,310)
OTHER FINANCING SOURCES (USES)				
School Bond Loan Fund proceeds	453,258	415,000	(38,258)	165,212
TOTAL OTHER FINANCING SOURCES (USES)	<u>453,258</u>	<u>415,000</u>	<u>(38,258)</u>	<u>165,212</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>15,521</u>	<u>\$ 92,037</u>	<u>(37,098)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>107,583</u>		<u>144,681</u>
FUND BALANCE, END OF YEAR		<u>\$ 123,104</u>		<u>\$ 107,583</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2010

					Totals	
	School Service	Athletic	Capital Project	Community Services	<u>Memorandum Only</u>	
					2010	2009
ASSETS						
Cash	\$ 105,684	\$ 24,270	\$ 169,747	\$ 34,533	\$ 334,234	\$ 190,961
Receivables	25,483	2,691	2,902	-	31,076	18,627
Due from other funds	11,904	-	30,198	13,196	55,298	812
Due from governmental units	7,089	-	-	-	7,089	24,919
Inventory	61,890	-	-	-	61,890	53,118
TOTAL ASSETS	<u>\$ 212,050</u>	<u>\$ 26,961</u>	<u>\$ 202,847</u>	<u>\$ 47,729</u>	<u>\$ 489,587</u>	<u>\$ 288,437</u>
LIABILITIES						
Accounts payable	\$ 45,137	\$ 5,721	-	-	\$ 50,858	\$ 14,661
Accrued expenses	4,991	-	-	-	4,991	1,412
Due to other funds	-	19,059	-	10	19,069	103,157
Deferred revenues	-	-	-	-	-	-
Other liabilities	3,982	-	-	-	3,982	2,973
TOTAL LIABILITIES	<u>54,110</u>	<u>24,780</u>	<u>-</u>	<u>10</u>	<u>78,900</u>	<u>122,203</u>
FUND EQUITY:						
Fund balance - unreserved	96,050	2,181	202,847	47,719	348,797	113,116
Fund balance - reserved	61,890	-	-	-	61,890	53,118
TOTAL FUND EQUITY	<u>157,940</u>	<u>2,181</u>	<u>202,847</u>	<u>47,719</u>	<u>410,687</u>	<u>166,234</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 212,050</u>	<u>\$ 26,961</u>	<u>\$ 202,847</u>	<u>\$ 47,729</u>	<u>\$ 489,587</u>	<u>\$ 288,437</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
June 30, 2010

					Totals	
	School Service	Athletic	Capital Project	Community Services	Memorandum Only 2010	2009
REVENUES						
Local sources	\$ 451,153	\$ 70,303	\$ 17,588	\$ 53,633	\$ 592,677	\$ 552,950
State sources	18,021	-	-	-	18,021	16,734
Federal sources	202,924	-	-	-	202,924	159,245
TOTAL REVENUES	672,098	70,303	17,588	53,633	813,622	728,929
EXPENSES						
Salaries and wages	103,971	126,862	-	10,779	241,612	234,135
Employee benefits	75,605	34,978	-	2,651	113,234	106,854
Supplies, materials, and other	463,757	148,461	797	27,364	640,379	557,952
TOTAL EXPENDITURES	643,333	310,301	797	40,794	995,225	898,941
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,765	(239,998)	16,791	12,839	(181,603)	(170,012)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	2,000	238,000	152,500	-	392,500	239,960
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	30,765	(1,998)	169,291	12,839	210,897	69,948
FUND BALANCE, BEGINNING OF YEAR	127,175	4,179	33,556	34,880	199,790	129,842
FUND BALANCE, END OF YEAR	\$ 157,940	\$ 2,181	\$ 202,847	\$ 47,719	\$ 410,687	\$ 199,790

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
SCHOOL SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	BUDGET	ACTUAL	VARIANCE	2009
REVENUES:				
Local sources:				
Adult lunches	\$ 10,000	\$ 7,498	\$ (2,502)	\$ 7,316
A-La-Carte	82,500	88,237	5,737	84,286
Special milk	3,500	3,495	(5)	4,439
Breakfast	13,500	8,672	(4,828)	10,082
Student lunches	5,000	4,694	(306)	3,726
School store revenue	10,000	1	(9,999)	2,219
Vending machines	160,800	162,393	1,593	160,785
Earnings on investments	1,000	1,299	299	1,121
Miscellaneous	163,000	174,864	11,864	146,220
Total local sources	449,300	451,153	1,853	420,194
State sources	18,000	18,021	21	16,734
Federal sources:				
School lunch program	166,000	177,804	11,804	129,706
USDA entitlements	25,000	22,133	(2,867)	25,036
USDA bonus entitlements	2,500	2,987	487	4,503
Total federal sources	193,500	202,924	9,424	159,245
TOTAL REVENUES	660,800	672,098	11,298	596,173
EXPENDITURES:				
Salaries and wages	105,000	103,971	1,029	99,315
Employee benefits	77,883	75,605	2,278	70,866
Supplies, materials, and other	468,627	463,757	4,870	384,366
TOTAL EXPENDITURES	651,510	643,333	8,177	554,547
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,290	28,765	3,121	41,626
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	2,000	2,000	1,960
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 9,290	30,765	\$ 21,475	43,586
FUND BALANCE, BEGINNING OF YEAR		127,175		83,589
FUND BALANCE, END OF YEAR		\$ 157,940		\$ 127,175

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
ATHLETIC FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Local sources:				
Athletics	\$ 10,244	\$ 11,688	\$ 1,444	\$ 5,044
Football	8,291	8,150	(141)	8,291
Girls basketball	17,081	10,685	(6,396)	10,708
Boys basketball	8,032	7,643	(389)	8,032
Hockey	16,975	19,838	2,863	12,111
Swim team	625	800	175	625
Ski Team	5,095	2,402	(2,693)	5,095
Track	3,494	4,135	641	3,494
Golf	758	500	(258)	758
Cross Country	250	-	(250)	250
Volleyball	1,543	4,462	2,919	1,543
Cheerleaders	812	-	(812)	812
Total local sources	<u>73,200</u>	<u>70,303</u>	<u>(2,897)</u>	<u>56,763</u>
EXPENDITURES:				
Athletics	49,605	50,610	(1,005)	49,358
Cross country	8,168	8,219	(51)	8,168
Football	44,208	44,230	(22)	44,208
Girls basketball	44,736	39,166	5,570	40,331
Boys basketball	32,009	33,740	(1,731)	29,497
Hockey	41,766	44,417	(2,651)	40,248
Ski team	14,372	11,238	3,134	12,097
Swim team	8,738	10,836	(2,098)	7,143
Track	37,205	37,646	(441)	31,361
Golf	5,442	5,237	205	5,442
Cheerleaders	4,234	3,756	478	4,234
Volleyball	20,717	21,206	(489)	20,717
Pop fund	3,118	-	3,118	16
TOTAL EXPENDITURES	<u>314,318</u>	<u>310,301</u>	<u>4,017</u>	<u>292,820</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(241,118)	(239,998)	1,120	(236,057)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>238,000</u>	<u>238,000</u>	-	<u>238,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (3,118)</u>	<u>(1,998)</u>	<u>\$ 1,120</u>	<u>1,943</u>
FUND BALANCE, BEGINNING OF YEAR		<u>4,179</u>		<u>2,236</u>
FUND BALANCE, END OF YEAR		<u>\$ 2,181</u>		<u>\$ 4,179</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Local sources:				
Earnings on investments	\$ -	\$ 1,545	\$ 1,545	\$ 68
Rentals	14,000	16,043	2,043	17,058
TOTAL REVENUES	<u>14,000</u>	<u>17,588</u>	<u>3,588</u>	<u>17,126</u>
EXPENDITURES:				
Repairs	<u>800</u>	<u>797</u>	<u>3</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,200	16,791	3,591	17,126
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Sale of Fixed Asset	<u>152,500</u>	<u>152,500</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 165,700</u>	169,291	<u>\$ 3,591</u>	17,126
FUND BALANCE, BEGINNING OF YEAR		<u>33,556</u>		<u>16,430</u>
FUND BALANCE, END OF YEAR		<u>\$ 202,847</u>		<u>\$ 33,556</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
COMMUNITY SERVICE FUND
SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Local sources:				
Kindergarten child care	\$ 49,000	\$ 52,893	\$ 3,893	\$ 51,938
GED	-	315	315	6,625
Interest income	-	425	425	304
	<hr/>	<hr/>	<hr/>	<hr/>
Total local sources	49,000	53,633	4,633	58,867
EXPENDITURES:				
Kindergarten child care	46,700	38,527	8,173	45,385
GED	2,300	2,267	33	6,189
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	49,000	40,794	8,206	51,574
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>\$ -</u>	12,839	<u>\$ 12,839</u>	7,293
FUND BALANCE, BEGINNING OF YEAR				
		<u>34,880</u>		<u>27,587</u>
FUND BALANCE, END OF YEAR				
		<u>\$ 47,719</u>		<u>\$ 34,880</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2010

	Balance July 1, 2009	Receipts	Disbursements	Balance June 30, 2010
ASSETS:				
Cash	\$ 131,584	\$ 109,492	\$ 96,179	\$ 144,897
LIABILITIES:				
Due to general fund	\$ 45,515	\$ 87,390	\$ 96,198	\$ 36,707
Due to school food service	0	297	0	297
Due to organization and class funds	86,069	118,572	96,748	107,893
TOTAL LIABILITIES	\$ 131,584	\$ 206,259	\$ 192,946	\$ 144,897

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
SCHOLARSHIP FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash	\$ 162,988	\$ 6,896	\$ 0	\$ 169,884
LIABILITIES:				
Due to general fund	\$ 2,500	\$ 2,500	\$ 0	\$ 5,000
Scholarship funds	<u>160,488</u>	<u>6,896</u>	<u>2,500</u>	<u>164,884</u>
TOTAL LIABILITIES	<u>\$ 162,988</u>	<u>\$ 9,396</u>	<u>\$ 2,500</u>	<u>\$ 169,884</u>

**HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
FEDERAL AWARDS PROGRAMS
JUNE 30, 2010**



Bruce A. Rukkila, CPA, PC



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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 Board of Education
Houghton-Portage Township School District
Houghton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houghton-Portage Township School District as of and for the year then ended June 30, 2010, which collectively comprise Houghton-Portage Township School District's basic financial statements and have issued our report thereon dated November 9, 2010. 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 Houghton-Portage Township School District'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 Houghton-Portage Township School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Houghton-Portage Township School District's internal control over financial reporting.

A deficiency in control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, that results in more than a remote likelihood that a material misstatement of the financial statements will be not be prevented, detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houghton-Portage Township School District'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*.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 9, 2010



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

To the Board of Education
Houghton-Portage Township School District
Houghton, Michigan

Compliance

We have audited the compliance of Houghton-Portage Township School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Houghton-Portage Township District'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 Houghton-Portage Township School District's management. Our responsibility is to express an opinion on Houghton-Portage Township School District'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 Houghton-Portage Township School District'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 on Houghton-Portage Township School District's compliance with those requirements.

In our opinion, Houghton-Portage Township School District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Houghton-Portage Township School District 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 Houghton-Portage Township School District'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 Houghton-Portage Township School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

November 9, 2010

HOUGHTON-PORTAGE TOWNSHIP School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Grant Award Amount	Accrued (Deferred) Revenue 07/01/09	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 06/30/10
U.S. Department of Education:						
Passed Through MDE						
Title I Part A Grant 101530-0910	84.010	\$ 242,775	\$ 0	\$ 163,747	\$ 205,683	\$ 41,936
Title I Part A Grant 091530-0809	84.010	207,479	43,689	43,689	0	0
ARRA Title I Part A Grant 1013530910	84.389	42,583	0	34,759	42,583	7,824
Even Start 100390 D1006CES	84.213	227,000	0	137,787	227,000	89,213
Even Start 090390 C0904CES	84.213	225,000	58,761	58,761	0	0
Education Stabilization Fund 925250809	84.394	464,389	464,389	464,389	0	0
Education Stabilization Fund 1025250910	84.394	350,187	0	350,187	350,187	0
Title II Part D Grant 0942900809	84.318	1,796	1,216	1,216	0	0
Title II Part A Grant 0905200809	84.367	85,207	26,267	26,267	0	0
Title II Part A Grant 1005200910	84.367	74,964	0	63,331	74,964	11,633
ARRA Title II Part D Grant 1042950910	84.386	4,153	0	4,153	4,153	0
		<u>1,925,533</u>	<u>594,322</u>	<u>1,348,286</u>	<u>904,570</u>	<u>150,606</u>
Passed through Copper Country ISD						
ARRA Special Education	84.391	64,025	0	64,025	64,025	0
Healthy Hearts for Life	84.215F	10,740	(5,208)	0	2,758	(2,450)
		<u>74,765</u>	<u>(5,208)</u>	<u>64,025</u>	<u>66,783</u>	<u>(2,450)</u>
Total U.S. Department of Education		<u>2,000,298</u>	<u>589,114</u>	<u>1,412,311</u>	<u>971,353</u>	<u>148,156</u>
U.S. Department of Agriculture:						
Passed Through MDE						
National School Lunch						
Section 4-All Lunches 091950	10.555	26,245	2,480	7,373	4,893	0
Section 4-All Lunches 101950	10.555	27,240	0	26,574	27,240	666
Section 11-Free & Reduced 091960	10.555	91,848	15,452	26,569	11,117	0
Section 11-Free & Reduced 101960	10.555	114,690	0	109,265	114,690	5,425
Snacks 091980	10.555	2,360	451	989	538	0
Snacks 101980	10.555	1,777	0	1,597	1,777	180
		<u>264,160</u>	<u>18,383</u>	<u>172,367</u>	<u>160,255</u>	<u>6,271</u>
Breakfast 091970	10.553	10,056	1,576	3,372	1,796	0
Breakfast 101970	10.553	15,753	0	14,935	15,753	818
		<u>25,809</u>	<u>1,576</u>	<u>18,307</u>	<u>17,549</u>	<u>818</u>
Food Distribution - Entitlement	10.550	22,133	0	22,133	22,133	0
Food Distribution - Bonus Commodities	10.550	2,987	0	2,987	2,987	0
		<u>25,120</u>	<u>0</u>	<u>25,120</u>	<u>25,120</u>	<u>0</u>
Total U.S. Department of Agriculture		<u>315,089</u>	<u>19,959</u>	<u>215,794</u>	<u>202,924</u>	<u>7,089</u>
TOTALS		<u>\$ 2,315,387</u>	<u>\$ 609,073</u>	<u>\$ 1,628,105</u>	<u>\$ 1,174,277</u>	<u>\$ 155,245</u>

HOUGHTON-PORTAGE TOWNSHIP School District
SCHEDULE OF FEDERAL ASSISTANCE
PROVIDED TO SUB-RECIPIENTS
JUNE 30, 2010

<u>Sub-recipients Program Title/ Project Number</u>	<u>CFDA Number</u>	<u>Grant Award</u>	<u>Amount Transferred/ Payable</u>
Even Start	84.213		
Baraga-Houghton-Keweenaw Child Development		<u>\$ 227,000</u>	<u>\$ 227,000</u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2010

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the District's federal financial assistance.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with the prior year audited figures.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 54 of these financial statements is \$1,174,277.

The amounts reported as current payments on the MDE grant reports prepared by the State of Michigan, reconcile to the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE grant reports	\$ 1,538,961
Prior year deferred revenue (Title I and Title IIA)	
Less prior year receivables:	
Even Start	(58,761)
Title I	(43,689)
Title II D	(1,216)
Title IIA	(26,267)
School Lunch	(19,959)
American Recovery and Reinvestment Act	(464,389)
Plus	
Receivables:	
Even Start	89,213
Title I	41,936
ARRA Title I	7,824
Title IIA	11,632
School Lunch	7,089
Other federal revenue:	
Healthy Hearts	2,758
ARRA Special Education pass through from ISD	64,025
Food Commodities	25,120
Schedule of Expenditures of Federal Awards	<u><u>\$ 1,174,277</u></u>

HOUGHTON-PORTAGE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) 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 weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133? No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	84.394	ARRA Education Stabilization Fund
	84.010	Title I, Part A
	84.389	ARRA Title I Part A

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

Auditee qualified as low-risk auditee? No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year – No matters were reported.

Prior Year – No matters were reported.