

Port Huron Area School District

**Federal Awards
Supplemental Information
June 30, 2015**

Port Huron Area School District

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Education
Port Huron Area School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Huron Area School District (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Port Huron Area School District's basic financial statements. We issued our report thereon dated October 26, 2015, which contained an unmodified opinion with an emphasis of matter related to the implementation of the GASB statement No. 68 and No. 71 accounting standards on the basic financial statements of the School District. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 26, 2015.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 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 as a whole.

Plante & Moran, PLLC

Clinton Township, Michigan
October 26, 2015

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*

Independent Auditor's Report

To Management and the Board of Education
Port Huron Area School District

We have audited, 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, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Huron Area School District (the "School District") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Port Huron Area School District's basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port Huron Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Huron Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Port Huron Area School District's internal control.

A deficiency in internal 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Port Huron Area School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Education
Port Huron Area School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port Huron Area School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Clinton Township, Michigan
October 26, 2015

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance
Independent Auditor's Report

To the Board of Education
Port Huron Area School District

Report on Compliance for Each Major Federal Program

We have audited Port Huron Area School District's (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Port Huron Area School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Port Huron Area School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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 Port Huron Area 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Port Huron Area School District's compliance.

To the Board of Education
Port Huron Area School District

Opinion on Each Major Federal Program

In our opinion, Port Huron Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Port Huron Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Port Huron Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Port Huron Area 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Education
Port Huron Area School District

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

Clinton Township, MI
October 26, 2015

Port Huron Area School District

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2015
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:								
Noncash assistance (commodities) -								
National School Lunch Program	10.555	\$ 243,704	\$ -	\$ -	\$ -	\$ 243,704	\$ 243,704	\$ -
Cash assistance:								
National School Breakfast Program - 2013-2014	10.553	906,868	906,868	51,834	-	51,834	-	-
National School Breakfast Program - 2014-2015	10.553	990,451	-	-	-	938,582	990,451	51,869
Total National School Breakfast Program		1,897,319	906,868	51,834	-	990,416	990,451	51,869
National School Lunch Program:								
2013-2014 Lunch	10.555	2,229,535	2,229,535	122,005	-	122,005	-	-
2013-2014 Snacks		4,070	4,070	818	-	818	-	-
2014-2015 Lunch		2,388,667	-	-	-	2,280,346	2,388,667	108,321
2014-2015 Snacks		8,555	-	-	-	7,848	8,555	707
Total National School Lunch Program		4,630,827	2,233,605	122,823	-	2,411,017	2,397,222	109,028
Summer Food Service Program for Children								
2013-2014	10.559	59,244	59,244	13,108	-	13,108	-	-
2014-2015		51,690	-	-	-	39,083	51,690	12,607
Total Summer Food Service Program for Children		110,934	59,244	13,108	-	52,191	51,690	12,607
Cash assistance subtotal		6,639,080	3,199,717	187,765	-	3,453,624	3,439,363	173,504
Total Child Nutrition Cluster		6,882,784	3,199,717	187,765	-	3,697,328	3,683,067	173,504
Medicaid Cluster - Michigan Department of Community Health - Passed through the St. Clair RESA - Medicaid Administrative Outreach:								
2013-2014	93.778	43,742	43,742	8,158	-	8,158	-	-
2014-2015		30,521	-	-	-	17,290	30,521	13,231
Total Medicaid Administrative Outreach		74,263	43,742	8,158	-	25,448	30,521	13,231

Port Huron Area School District

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2015
Clusters (Continued):								
Special Education Cluster - U.S. Department of Education - Passed through the St. Clair County RESA:								
IDEA:	84.027							
Project number 130460-1213 C/O		\$ 203,436	\$ 203,436	\$ 66,939	\$ -	\$ 66,939	\$ -	\$ -
Project number 140460-1314		2,131,495	1,842,981	562,065	-	562,065	-	-
Project number 140450-1314 C/O		288,514	-	-	-	194,187	288,514	94,327
Project number 150450-1415		2,127,331	-	-	-	1,306,381	1,930,865	624,484
Total IDEA		4,750,776	2,046,417	629,004	-	2,129,572	2,219,379	718,811
Preschool Incentive:	84.173							
Project number 130460-1213 C/O		2,856	2,823	868	-	868	-	-
Project number 140460-1314		62,881	62,881	31,613	-	31,613	-	-
Project number 150460-1415		54,511	-	-	-	36,664	54,511	17,847
Total Preschool Incentive		120,248	65,704	32,481	-	69,145	54,511	17,847
Total Special Education Cluster		4,871,024	2,112,121	661,485	-	2,198,717	2,273,890	736,658
Other federal awards:								
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Child Care Food Program:								
Child Care Food Program 1314	10.558	83,848	83,848	3,758	-	3,758	-	-
Child Care Food Program 1415		125,421	-	-	-	125,421	125,421	-
Total U.S. Department of Agriculture noncluster programs		209,269	83,848	3,758	-	129,179	125,421	-

Port Huron Area School District

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2015
Other federal awards (Continued):								
U.S. Department of Education:								
Passed through the Michigan Department of Education:								
Title I Part A:								
	84.010							
Project number 141530/1314		\$ 3,505,910	\$ 3,263,244	\$ 599,100	\$ -	\$ 599,100	\$ -	\$ -
Project number 151530/1415		3,330,504	-	-	-	2,447,327	3,032,674	585,347
Total Title I Part A		6,836,414	3,263,244	599,100	-	3,046,427	3,032,674	585,347
Adult Education:								
	84.002							
Project number 141130 141087		60,500	60,500	4,548	-	4,548	-	-
Project number 151130 151087		65,500	-	-	-	57,502	64,411	6,909
Total Adult Education		126,000	60,500	4,548	-	62,050	64,411	6,909
Title IIA Improving Teacher Quality:								
	84.367							
Project number 140520/1314		1,150,414	642,797	167,571	-	167,571	-	-
Project number 150520/1415		1,212,280	-	-	-	423,843	497,612	73,769
Total Title IIA Improving Teacher Quality		2,362,694	642,797	167,571	-	591,414	497,612	73,769
21st Century Community Learning Center:								
	84.287							
Project number 142110 H13049		675,000	668,290	111,401	-	111,401	-	-
Project number 142110 F09055		270,000	265,296	61,964	-	61,964	-	-
Project number 152110 H13049		675,000	-	-	-	534,078	653,553	119,475
Project number 152110 I14017		270,000	-	-	-	198,510	258,555	60,045
Project number 152110 I14020		206,284	-	-	-	175,989	206,284	30,295
Total 21st Century Community Learning Center		2,096,284	933,586	173,365	-	1,081,942	1,118,392	209,815
Total noncluster programs passed through the Michigan Department of Education		11,421,392	4,900,127	944,584	-	4,781,833	4,713,089	875,840

Port Huron Area School District

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2014	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2015
Other federal awards (Continued):								
U.S. Department of Education (Continued):								
Passed through the Macomb ISD:								
Title III Limited English Proficient Funds - 140580-1314	84.365A	\$ 12,728	\$ 6,413	\$ 3,228	\$ -	\$ 3,228	\$ -	\$ -
Title III Limited English Proficient Funds - 150580-1415		13,420	-	-	-	5,441	8,623	3,182
Total Macomb ISD		26,148	6,413	3,228	-	8,669	8,623	3,182
Total U.S. Department of Education noncluster programs		11,447,540	4,906,540	947,812	-	4,790,502	4,721,712	879,022
Total federal awards		\$ 23,484,880	\$ 10,345,968	\$ 1,808,978	\$ -	\$ 10,841,174	\$ 10,834,611	\$ 1,802,415

Port Huron Area School District

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Port Huron Area School District under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Port Huron Area School District, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Port Huron Area School District. Pass-through entity identifying numbers are presented where available.

Note 2 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133. These amounts are reported in the schedule of expenditures of federal awards.

Port Huron Area School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$325,038

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None