

Port Huron Area School District

**Federal Awards
Supplemental Information
June 30, 2013**

Port Huron Area School District

Contents

Independent Auditor's Reports:

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance	4-5
Schedule of Expenditures of Federal Awards	6-9
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11-12



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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 as of and for the year ended June 30, 2013 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 3, 2013, which contained an unmodified opinion on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 3, 2013.

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

October 3, 2013

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 the 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Huron Area School District as of and for the year ended June 30, 2013 and 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 3, 2013.

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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 the entity'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 3, 2013

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 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 each of its major federal programs for the year ended June 30, 2013. Port Huron Area School District's major federal programs are 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 each of its federal programs.

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 each of its major federal programs for the year ended June 30, 2013.

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 the entity'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.

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

October 3, 2013

Port Huron Area School District

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2012	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2013
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	\$ 300,030	\$ -	\$ -	\$ -	\$ 246,631	\$ 246,631	\$ -
Cash Assistance:								
National School Breakfast Program - 2011-2012	10.553	673,959	673,959	127,929	-	127,929	-	-
National School Breakfast Program - 2012-2013	10.553	905,218	-	-	-	749,251	905,218	155,967
Total National School Breakfast Program		1,579,177	673,959	127,929	-	877,180	905,218	155,967
National School Lunch Program:								
2011-2012 Lunch	10.555	2,142,645	2,142,645	366,423	-	366,423	-	-
2011-2012 Snacks		35,596	35,596	5,038	-	5,038	-	-
2012-2013 Lunch		2,242,719	-	-	-	1,845,562	2,242,719	397,157
Total National School Lunch Program		4,420,960	2,178,241	371,461	-	2,217,023	2,242,719	397,157
Summer Food Service Program for Children:								
2011-2012	10.559	51,525	51,525	10,394	-	10,394	-	-
2012-2013		47,727	-	-	-	36,853	47,727	10,874
Total Summer Food Service Program for Children		99,252	51,525	10,394	-	47,247	47,727	10,874
Cash Assistance Subtotal		6,099,389	2,903,725	509,784	-	3,141,450	3,195,664	563,998
Total Child Nutrition Cluster		6,399,419	2,903,725	509,784	-	3,388,081	3,442,295	563,998
Medicaid Cluster - Michigan Department of Community Health - Passed through the St. Clair RESA - Medicaid Administrative Outreach:								
2011-2012	93.778	25,147	25,147	17,754	-	17,754	-	-
2012-2013		25,611	-	-	-	8,425	25,611	17,186
Total Medicaid Cluster		50,758	25,147	17,754	-	26,179	25,611	17,186

See Notes to Schedule of Expenditures of Federal Awards.

Port Huron Area School District

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2013

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2012	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2013
Clusters (Continued):								
Special Education Cluster - U.S. Department of Education - Passed through the St. Clair County RESA:								
IDEA: 84.027								
Project number 110450-1011 C/O		\$ 276,265	\$ 276,265	\$ 87,247	\$ -	\$ 87,247	\$ -	\$ -
Project number 120450-1112		2,360,932	2,274,137	805,744	-	805,744	-	-
Project number 120450-1112 C/O		86,795	-	-	-	61,480	86,511	25,031
Project number 130450-1213		2,329,915	-	-	-	1,484,366	2,126,479	642,113
Total IDEA		5,053,907	2,550,402	892,991	-	2,438,837	2,212,990	667,144
Preschool Incentive: 84.173								
Project number 120460-1112		65,539	58,452	16,874	-	16,874	-	-
Project number 120460-1112 C/O		7,087	-	-	-	4,387	7,087	2,700
Project number 130460-1213		70,107	-	-	-	46,915	67,250	20,335
Total Preschool Incentive		142,733	58,452	16,874	-	68,176	74,337	23,035
Total Special Education Cluster		5,196,640	2,608,854	909,865	-	2,507,013	2,287,327	690,179
Other federal awards:								
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Child Care Food Program: 10.558								
1112		153,503	153,503	5,707	-	5,707	-	-
1213		154,882	-	-	-	143,425	149,176	5,751
Total U.S. Department of Agriculture noncluster programs		308,385	153,503	5,707	-	149,132	149,176	5,751
U.S. Department of Education: Passed through the Michigan Department of Education:								
Title I Part A: 84.010								
Project number 121530/1112		3,372,099	2,955,683	566,410	-	566,410	-	-
Project number 131530/1213		3,436,706	-	-	-	1,886,529	2,366,187	479,658
Total Title I Part A		6,808,805	2,955,683	566,410	-	2,452,939	2,366,187	479,658

See Notes to Schedule of Expenditures
of Federal Awards.

Port Huron Area School District

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2013

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2012	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2013
Other federal awards (Continued):								
U.S. Department of Education (Continued):								
Passed through the Michigan Department of Education (Continued):								
Adult Education:								
	84.002							
Project number 121130 121087		\$ 60,000	\$ 60,000	\$ 4,215	\$ -	\$ 4,215	\$ -	\$ -
Project number 131130 131087		60,000	-	-	-	53,622	60,000	6,378
Total Adult Education		120,000	60,000	4,215	-	57,837	60,000	6,378
Title IIA Improving Teacher Quality:								
	84.367							
Project number 120520/1112		923,882	526,484	44,444	-	44,444	-	-
Project number 130520/1213		1,052,798	-	-	-	402,534	496,705	94,171
Total Title IIA Improving Teacher Quality		1,976,680	526,484	44,444	-	446,978	496,705	94,171
21st Century Community Learning Center:								
	84.287							
Project number 122110 E08001		675,000	669,653	120,736	-	120,736	-	-
Project number 122110 E08002		675,000	661,786	176,241	-	176,241	-	-
Project number 122110 F09055		270,000	248,319	59,127	-	59,127	-	-
Project number 132110 E08001		675,000	-	-	-	507,707	650,446	142,739
Project number 132110 E08002		675,000	-	-	-	514,347	649,808	135,461
Project number 132110 F09055		270,000	-	-	-	195,052	259,978	64,926
Total 21st Century Community Learning Center		3,240,000	1,579,758	356,104	-	1,573,210	1,560,232	343,126
Total noncluster programs passed through the Michigan Department of Education		12,145,485	5,121,925	971,173	-	4,530,964	4,483,124	923,333
Passed through the Macomb ISD - Title III Limited English Proficient Funds:								
	84.365A							
Project number - 120580-1112		10,758	6,601	158	-	158	-	-
Project number - 130580-1213		14,283	-	-	-	2,312	9,006	6,694
Total Title III Limited English Proficient Funds		25,041	6,601	158	-	2,470	9,006	6,694

See Notes to Schedule of Expenditures of Federal Awards.

Port Huron Area School District

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2013

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2012	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued Revenue at June 30, 2013
Other federal awards (Continued):								
U.S. Department of Education (Continued):								
Passed through Oakland University - Investing in Innovation								
Fund (i3) - Reading Recovery: Scaling Up What Works	84.411A	\$ 14,781	\$ -	\$ -	\$ -	\$ 14,781	\$ 14,781	\$ -
Total U.S. Department of Education noncluster programs		12,185,307	5,128,526	971,331	-	4,548,215	4,506,911	930,027
National Endowment for the Humanities - Passed through the Michigan Humanities Council - Promotion of the Humanities - We the People - Michigan Great Lakes Shipwreck Film Project Grant No. 2870								
	45.129	15,000	-	-	-	6,400	6,400	-
U.S. Department of Homeland Security - Passed through the Michigan Department of State Police, Emergency Management and Homeland Security Division - Passed through St. Clair County, Michigan - 2013 Homeland Security Grant Program								
	97.067	240,000	-	-	-	-	193,188	193,188
Michigan Strategic Fund - Passed through the Michigan Energy Office - Rebuild MI PCB Ballast Removal Initiative Program MEO-13-013								
	81.041	99,365	-	-	-	17,378	25,575	8,197
Total federal awards		<u>\$ 24,494,874</u>	<u>\$ 10,819,755</u>	<u>\$ 2,414,441</u>	<u>\$ -</u>	<u>\$ 10,642,398</u>	<u>\$ 10,636,483</u>	<u>\$ 2,408,526</u>

See Notes to Schedule of Expenditures of Federal Awards.

Port Huron Area School District

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

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, 2013. 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 Form R-7120 and 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, 2013

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:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Part A
84.367	Title II Part A

Dollar threshold used to distinguish between type A and type B programs: \$319,094

Auditee qualified as low-risk auditee? Yes No

Port Huron Area School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2013

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None