

Port Huron Area School District

**Comprehensive Annual Financial Report
For The Fiscal Year Ended
June 30, 2012**



**Port Huron Area School District
1925 Lapeer Avenue
Port Huron, Michigan 48060**

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**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**PORT HURON AREA SCHOOL DISTRICT
1925 Lapeer Avenue, P. O. Box 5013
Port Huron, Michigan 48061-5013**

For the Fiscal Year Ended June 30, 2012

BOARD OF EDUCATION

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H. Ronald Wollen, Superintendent

SUPERINTENDENT'S ADVISORY COUNCIL MEMBERS

Eddie L. Kindle - Assistant Superintendent
Katherine C. Peternel - Director for Finance

Report prepared by the Finance Department

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Port Huron Area School District

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Port Huron Area School District

1925 Lapeer Avenue • P. O. Box 5013 • Port Huron, MI 48061-5013 • 810-984-3101

October 2, 2012

To the Citizens of Port Huron and the
Port Huron Area School District Board Members:

This letter of transmittal is intended to provide an overview of the financial condition of the Port Huron Area School District (PHASD or the "School District") from the perspective of the superintendent and the director for finance. It serves as an introduction to our Comprehensive Annual Financial Report for the fiscal year which ended June 30, 2012. The Comprehensive Annual Financial Report is presented in three sections: Introductory, financial, and statistical. The introductory section includes the School District's organizational chart and this transmittal letter. The financial section includes the management's discussion and analysis, the independent auditor's report, government-wide financial statements, fund financial statements and notes to the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. For narrative information about the financial performance of the School District, please direct your attention to the management's discussion and analysis.

The report has been prepared by the School District's finance department with responsibility for accuracy and completeness of the report resting with the School District. This report was prepared in accordance with generally accepted accounting principles. The basic financial statements have been audited by the firm of Plante & Moran, PLLC, an independent auditor, and the report is preceded by their unqualified opinion.

The School District

The School District's vision is to be a dynamic teaching and learning community shaping students to become responsible global citizens. The mission of the School District is to use data-driven decision-making to provide students with

- a rigorous, relevant curriculum and engaging instruction tailored to ensure academic success;
- a secure and collaborative learning environment promoting positive relationships;
- the ability to adapt and compete in a global community.

The School District was formed in 1961 by a voter-approved consolidation of eight outlying school districts with the existing school district of the City of Port Huron. It covers approximately 119 square miles and includes the City of Port Huron and all or portions of various townships including Kimball, Wales, Port Huron, Clyde, Grant, Burtchville, Kenockee, and Fort Gratiot.

The major purpose of the School District is to provide public education to those who reside within its boundaries. To this end, the School District has maintained 11 elementary schools, 3 middle schools, 2 high schools, an alternative/adult education site, an operations/transportation facility, and a main administration office, to serve 9,820 students.

The most recent statistics published in June 2012 by the Michigan Department of Education in their 2010-11 Bulletin 1014, ranked the School District as the 23rd largest out of 788 school districts and charters in the state of Michigan in terms of student population. Under Proposal A, approved by Michigan voters in 1994, schools are funded on a per-pupil “foundation” basis, which means the total revenue of a school district is directly related to the level of student enrollment. The Port Huron Area School District operated on a per-pupil foundation allowance of \$6,914 in fiscal year 2012, which is the lowest since fiscal year 2006. The PHASD ranks 203rd in total General Fund revenue per student, which includes state categorical and federal program revenue in addition to the foundation allowance. The School District focuses its limited resources on the classroom and instruction, ranking 96th in the state for General Fund expenditures per pupil for total instruction, while spending less resources on business and administration (730th) and operations (629th) than most school districts in the state.

The School District is governed by a Board of Education consisting of seven publicly elected members. The Port Huron Area School District Board of Education has oversight responsibility and control over all activities related to the School District. The School District is the lowest level of government exercising direct responsibility for all public school education within its boundaries. As a result, all significant activities and organizations have been included in the general purpose financial statements.

The School District is financially independent. The Board of Education is the governing body and is exclusively responsible for its public decisions. The Board of Education appoints the management of the School District and is accountable for all fiscal matters. The latitude afforded under state statutes allows the Board of Education to significantly influence operations.

Economic Profile and Outlook

The general population within the School District’s boundaries was estimated at 68,586 people in 2012. Both residential and commercial building permits decreased over last year within the City of Port Huron by approximately 7% and 66%, respectively, or 17% overall. However, the value of construction had a significant increase of 89% for all building construction. Building permits issued totaled 599 and 722 units in fiscal years 2012 and 2011, respectively. Of the residential permits issued, two were for new construction while 36 were for demolitions, compared to one and 101 the prior year. The School District continues to experience an overall reduction in students, as are most school districts in the state, as a result of the overall state economy and lower birth rate numbers.

The taxable assessed valuations (TAVs) of the properties within the School District’s boundaries decreased an average of 5.2% from 2010 to 2011. This decrease in TAVs has a direct effect on the amount of revenue the School District will receive in the form of state aid from the Michigan Department of Education. As the TAVs continue to decrease, the local portion of revenue decreases and the State’s portion of the foundation allowance increases.

Port Huron is one hour north of the world’s largest concentration of automotive industry related businesses, as well as being an entry point into Canada, via the twin Blue Water Bridges, one of the busiest international crossings between North America and Canada.

Higher educational opportunities are available locally to School District residents at St. Clair County Community College and Baker College in Port Huron. St. Clair County Community College has affiliations with four-year colleges for specific programs.

Port Huron Hospital and Mercy Hospital, located in Port Huron, are fully accredited, with 24-hour emergency services, monitored coronary and intensive care units, and a full range of departments and services. St. John’s River District Hospital is located between Marine City and the City of St. Clair and also provides health care to the School District’s residents.

Two boat harbor facilities are available within the School District for fishermen and others who enjoy the blue waters of the St. Clair River, which borders St. Clair County and separates the United States from Canada. The white sand shoreline of Lake Huron is an added attraction. From spring through fall, residents and visitors alike enjoy a wide variety of water sports including sailing, boating, swimming, and diving.

Major employers include Port Huron Hospital, Port Huron Area School District, St. Clair County, DTE Energy, Mercy Hospital, and Meijer.

Long-term Financial Planning

The School District has set goals of improving long-range financial projections, and monitoring pending school legislation and the associated impact on the School District. Along with being dependent on State funding and the health of the State's School Aid Fund, the other important factor affecting the level of State Aid is the student count. Due to the economic climate and lower birth rates, our student population has been declining since 2003. Future projections show this decline to continue for several years, but at a slower rate. For the 2012-2013 year, the School District projected a blended student count decline of 325 students from the 2011-2013 pupil count of 9,818.07. Based on September enrollment data, we expect the actual count to come in better than the forecast, but still down from 2011-2012.

In the past five years, the School District has focused on consolidating operations, including buildings: two elementary schools were closed, one more consolidated, one middle school was closed, and the building housing the alternative/adult education site was demolished after moving the program to one of the closed elementary buildings. The School District continues to maintain 17 school buildings ranging in age from 88 years old to 34 years old, with an average age of 61 years. Income received from the sales of surplus property has been used to balance the budget and also saved for building and site needs to properly maintain facilities. The School District is currently in the middle of construction and renovations due to the \$22.8 million bond that was passed in 2011, which addresses facility infrastructure needs to reduce maintenance costs in the short term and reduce energy costs in the long term, as well as improve the classroom learning environment. The School District continues to find efficiencies and reduce costs in administration to focus funds on the classroom. The School District's goal is to focus its limited resources to the classroom and student achievement.

The Board of Education and administration continue to work jointly to focus limited resources on developing, implementing, and maintaining strong educational and student-based programs. The budget development process continues to control operational expenditures to stay within financial constraints from State funding levels. This process continues to create awareness of the School District's dependence on the state's economy. As forecasts and budgets are being developed and updated for future years, taking into consideration the challenges that school districts are facing across the state with increasing costs, decreased enrollment and stagnant funding, the School District's administration continues to focus on the board's overall goal of bringing spending in line with available revenue and maintaining an appropriate level of fund equity.

Major Initiatives and Achievements

The Port Huron Area School District offers a comprehensive curriculum for all students and continues to optimize the allocation of its resources into instructional areas. The school district staff is in transition, moving from Michigan's grade level content expectations and high school content expectations to the Common Core State Standards (CCSS). In conjunction with the CCSS, the teachers are developing curriculum to meet and/or exceed this expectation required for school accreditation by the Michigan Department of Education. A focus of the curriculum department is to continually support and guide teachers through development of curriculum; however, this year we have made a strong push to put instructional practices at the heart of all our work.

Elementary Curriculum Development

During the 2010-11 school year, the MDE released Common Core State Standards in English Language Arts (ELA) and Math. The Math Committee worked throughout the 2010-11 school year to align these standards to our Math Expressions materials. All K-5 teachers were trained in the new Math CCSS and new pacing guides were distributed. The instructional shifts needed to meet the demands of the new CCSS were a priority last year and these mathematical practices will continue to be an area of professional staff development throughout the 2012-13 school year. During the 2011-12 school year, the ELA committee met to align the new CCSS to the current materials and to select supplemental materials to meet the demands of the shift in standards. The K-5 staff will receive a half-day overview and a full day of professional development during the first two months of the 2012-13 school year in ELA CCSS. The goal to be fully aligned to the CCSS in elementary by the 2012-13 school year will be met.

In the area of assessments, K-5 teachers continue to use DIBELS three times a year as a screener to identify students who need intervention. These screeners are followed up with progress monitoring to help staff better align their small group instruction to the student needs in reading. Common writing assessments were also utilized three times a year in the elementary grades to assist teachers in planning instruction. DELTA Math was adopted during the 2011-12 school year as a screener and an instructional guide to meet the needs of all students. Implementation of small group instruction in the area of mathematics is supported by DELTA Math reports.

Secondary Curriculum Development

The Secondary Curriculum Department's focus has been to shift from a content-driven culture to that of literacy. In conjunction with our partnership with the **International Center for Leadership in Education (ICLE)**, our professional learning focus this year has been on literacy and engagement strategies for all 6-12 students.

Secondary instructional staff worked with middle school mathematics and ELA teachers to study the common core state standards and roll out to the staff, putting it in the larger context of response to intervention and a multi-tiered system of support for all students.

As part of a multi-tiered system of supports for all students, we are moving toward full inclusion of all special education students except for those with cognitive impairments. Co-teaching training was provided for all staff in the spring with additional opportunities for learning planned for the 2012-13 school year. We are also in the process of changing the intervention model for those students who need extra support.

The School District also has one school on the persistently lowest achieving list, Central Middle School. Using this as the impetus for major secondary school reform, we are creating a balanced assessment system that uses a variety of assessments to determine what students know so we are better able to tailor our instruction to meet the needs of all our students. We will be using NorthWest Evaluation Association's (NWEA) Measures of Academic Progress (MAP) test for all 6-8 ELA and mathematics students as a screener to identify skill gaps with the intention of bringing this to the high school next school year.

A focus of the instruction department has been to support and build capacity with principals specifically on quality instructional delivery. The School District had a three-day leadership academy for principals, as well as monthly instructional meetings for follow-up support and monitoring. We have also instituted instructional walk-throughs in which we look for specific instructional strategies in various buildings to construct principal efficacy with regard to engagement and instruction.

The School District continues to support the annual school improvement process through ongoing training, resources, and coordination of building and district-level activities. The initiative is led by staff at each building and focuses on student outcomes. During the 2011-12 school year, building leadership teams worked with School District and St. Clair County RESA curriculum staff as well as MDE approved consultants to continue building/revising school improvement plans.

Internal Control Structure

Management staff is responsible for establishing and maintaining an internal control structure. This structure is designed to ensure that the assets of the School District are protected from loss, theft, or misuse. It also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control structure is tested yearly by independent auditors and there have been no instances of material weaknesses in the internal control system.

All expenditure requests require proper administrative approval before any transactions and orders for goods can be processed. Individual budget managers are responsible for complying with the School District's purchasing policy and are prohibited from over-expending their legally adopted budget allocations.

Budgetary Controls

The School District maintains budgetary controls to ensure that budgets are in compliance with legal provisions in the annual appropriation budget adopted by the Board of Education.

Formal budgetary integration is employed as a management control device throughout the year for the General Fund and Special Revenue Funds. Under the guidelines of Bulletin 1022 (Revised), the State of Michigan's School Accounting Manual, detailed budget information is provided, and appropriate administrators are delegated the responsibility for monitoring and controlling respective budget allocations. Controls are in place that will not allow individuals to spend more than the amount appropriated. Expenditures are prohibited from exceeding appropriations at the function level. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year. The budget is amended three times during the year to appropriately address variances that occur as a result of enrollment changes and revenue and expenditure allocations.

The administration believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner.

The School District's annual audit of the basic financial statements was performed in accordance with auditing standards generally accepted in the United States of America and, accordingly, included consideration of the internal control structure and system of budgetary and accounting controls.

Debt Service

The School District continues to meet its debt service obligations by levying a local debt retirement millage. The millage levied for fiscal 2012 was 2.5 mills, the same as the previous year. The School District continues to have the lowest millage rate of local K-12 school districts in St. Clair County.

As of June 30, 2012, outstanding general obligation debt of \$37,403,337 was well below the statutory bonding limit of \$281,859,407. Per capita debt totaled \$545 at June 30, 2012.

Cash Management

Funds are invested in accordance with Section 380.1223 of the Michigan School Code, Act 451 of 1976, as amended, and financial institutions are approved by the Board of Education annually. An aggressive but prudent review and analysis of the investment portfolio and cash flow needs provide additional revenues not only to the General Fund but all other funds of the School District that have cash resources available.

In accordance with Michigan statutes, the School District's cash management guidelines are established to maximize interest earnings while attempting to minimize the risk of loss of invested principal. Interest-bearing checking accounts, cash management accounts, and certificates of deposit in state or national banks are common instruments used to achieve this goal. In 2011-12, the General Fund investment income totaled \$29,550.

Risk Management

The School District carries a comprehensive insurance package to protect the School District and its employees. Coverage includes commercial general liability, property damage, garage liability, automobile coverage, school leaders' errors and omissions, and various crime and liability coverage. The School District also carries a \$10,000,000 commercial umbrella policy.

The School District participates in an insurance pool along with other major school districts in Michigan called the Middle Cities Risk Management Trust. As a result, the School District saves significant dollars in insurance premiums by participating in this pool.

Independent Audit

The State of Michigan statutes require that each school district have an annual audit conducted by independent certified public accountants. The Port Huron Area School District Board of Education appointed the auditing firm of Plante & Moran, PLLC to perform this service for the 2011-12 fiscal year. The report of our independent certified public accountants, Plante & Moran, PLLC, appears on pages 12 and 13 of this report. In addition, OMB Circular A-133 requires that all governmental recipients of federal assistance have organizational-wide financial and compliance audits on an annual basis. The firm performed an audit of federal grants awarded to the School District. The results of the single audit for fiscal year ended June 30, 2012 provided no instances of material weakness in the internal control system or violations of applicable laws and regulations.

Both of these requirements have been met. The auditor's report on the basic financial statements is included herein, with an unqualified opinion, containing no scope limitations.

Certification Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

The Association of School Business Officials International (ASBO) also awarded a Certificate of Excellence in Financial Reporting to the School District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This is also a prestigious national award which signifies the highest form of recognition in school financial reporting.

In order to be awarded a Certificate of Achievement and a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

While a Certificate of Achievement and a Certificate of Excellence are valid for a period of one year only, the School District has received both awards for the last 28 consecutive fiscal years. The School District believes its current report continues to conform to both requirements, and is submitting it to GFOA and ASBO to determine its eligibility for additional certifications.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. The School District would like to express appreciation to all members of this office who assisted in the timely closing of the financial records and the preparation of this report. The School District also wishes to express our appreciation to other departments and individuals who assisted in the preparation of this report.

Sincerely,



H. Ronald Wollen
Superintendent of Schools

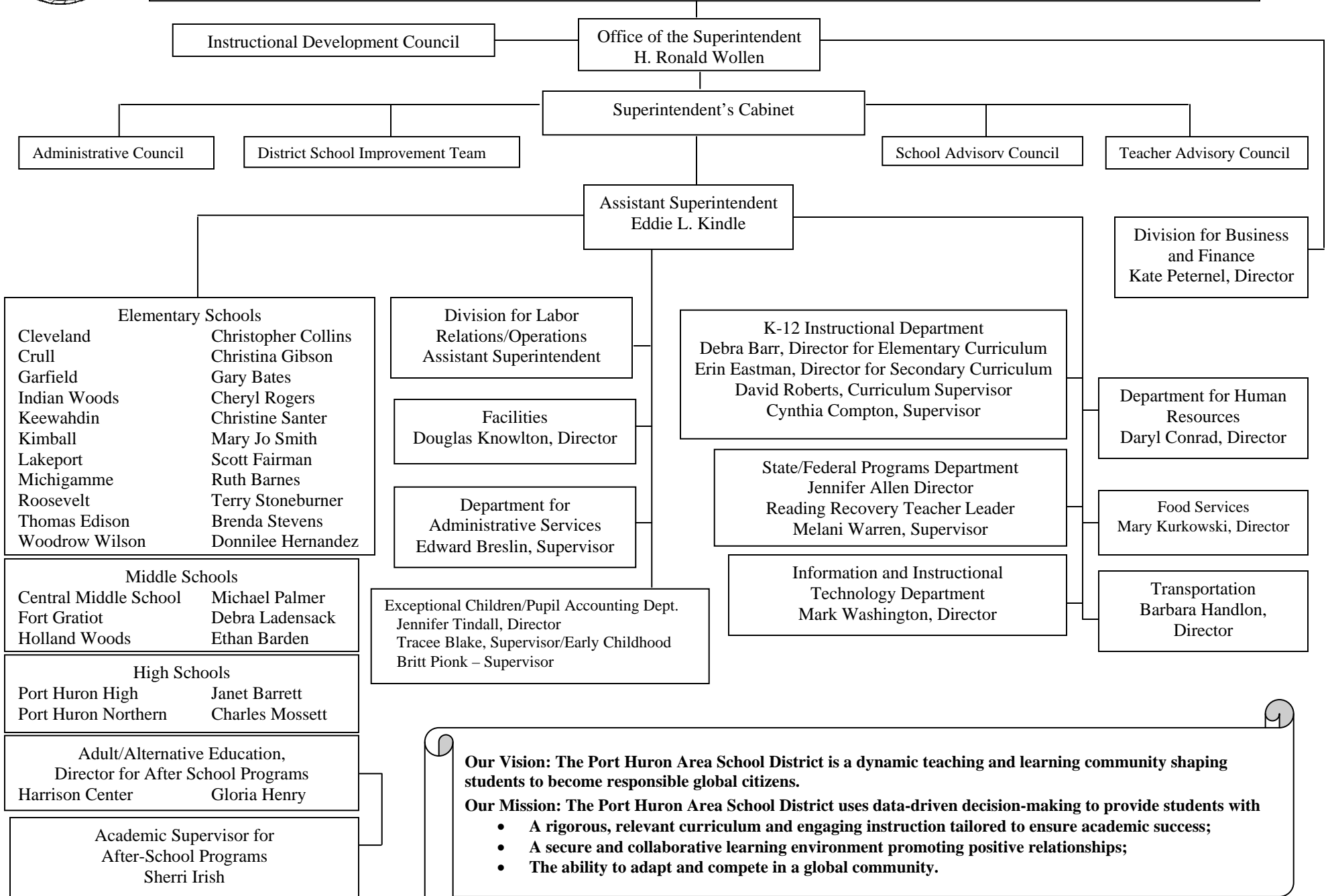


Katherine C. Peternel
Director for Finance



Port Huron Area School District Organizational Structure

Board of Education: Jeffrey A. Stout, President; Rasha S. Demashkieh, V. President; Ann Murphy, Secretary; Garth Kriewall, Treasurer; Kathleen Sheets, Trustee; Timothy McCullough, Trustee; Ronda Ryan, Trustee



Our Vision: The Port Huron Area School District is a dynamic teaching and learning community shaping students to become responsible global citizens.

Our Mission: The Port Huron Area School District uses data-driven decision-making to provide students with

- A rigorous, relevant curriculum and engaging instruction tailored to ensure academic success;
- A secure and collaborative learning environment promoting positive relationships;
- The ability to adapt and compete in a global community.

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

PORT HURON AREA SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2011

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port Huron Area School District
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

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Independent Auditor's Report

To the Board of Education
Port Huron Area School District

We have audited the accompanying 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, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Port Huron Area School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Port Huron Area School District as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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.

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To the Board of Education
Port Huron Area School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Port Huron Area School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the 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 financial statements as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 2, 2012 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 2, 2012

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Port Huron Area School District

Management's Discussion and Analysis

This section of Port Huron Area School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2012. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and 2011 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining internal service funds and fiduciary funds statements present financial information about activities for which the School District provides services to other funds and for which it acts solely as an agent for the benefit of students and parents, respectively.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

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

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (primarily foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation statement.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30:

	Governmental Activities	
	June 30	
	2012	2011
	(in millions)	
Assets		
Current and other assets	\$ 51.6	\$ 58.2
Capital assets	61.2	59.3
Total assets	112.8	117.5
Liabilities		
Current liabilities	14.9	11.9
Long-term liabilities	39.6	43.8
Total liabilities	54.5	55.7
Net Assets		
Invested in capital assets - Net of related debt	40.7	41.6
Restricted	2.9	2.7
Unrestricted	14.7	17.5
Total net assets	\$ 58.3	\$ 61.8

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$58.3 million at June 30, 2012. Investment in capital assets of \$40.7 million reflects the original cost of the School District's capital assets, net of accumulated depreciation, less any related outstanding debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$14.7 million) was unrestricted and may be used to meet the School District's obligations for normal operations in its various funds.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

The \$14.7 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30:

TABLE 2

	Governmental Activities	
	Year Ended June 30	
	2012	2011
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.7	\$ 2.2
Operating grants	23.3	26.4
General revenue:		
Property taxes	16.3	16.2
State foundation allowance	53.6	56.2
Interest on investments	0.1	0.1
Federal grants and entitlements	0.1	3.5
Other	0.1	0.1
Total revenue	95.2	104.7
Functions/Program Expenses		
Instruction	63.1	66.8
Support services	29.1	30.5
Athletics	1.0	0.8
Food services	3.5	3.2
Community services	0.3	0.5
Interest on long-term debt	1.7	1.3
Total functions/program expenses	98.7	103.1
(Decrease) Increase in Net Assets	(3.5)	1.6
Net Assets - Beginning of year	61.8	60.2
Net Assets - End of year	\$ 58.3	\$ 61.8

Port Huron Area School District

Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$98.7 million. Certain activities were partially funded from those who benefited from the programs (\$1.7 million) or by other governments and organizations that subsidized certain programs and activities with grants and contributions (\$23.3 million). The School District paid for the remaining "public benefit" portion of our governmental activities with \$16.3 million in taxes, \$53.6 million in State foundation allowance, other revenue, i.e., interest and general entitlements of \$.3 million, and \$3.5 million from net assets.

The School District experienced a decrease in net assets for the 2011-2012 fiscal year of approximately \$3.5 million. Total revenue decreased from the previous year by \$9.5 million for several reasons. Unrestricted federal revenue from the State Fiscal Stabilization Fund provided by the American Recovery and Reinvestment Act (ARRA) of \$1.2 million was discontinued. Unrestricted federal funding through the Education Jobs Fund decreased by \$2.1 million. Other restricted federal revenue provided by ARRA of \$2.9 million was discontinued. The State foundation allowance was decreased \$470 per pupil by making the \$170 per-pupil proration from 2010-2011 permanent with an additional \$300 per-pupil cut. This was offset by best practice and retirement offset revenue of just over \$2.0 million. Combined with an enrollment decline of 164 students and cuts in other restricted state revenue, the net decrease in state aid is \$2.6 million. Expenditures decreased by approximately \$4.4 million. Significant decreases from the prior year were in instruction (\$3.7 million) and support (\$1.4 million). The majority of the decreases are due to contract concessions requiring increased employee cost sharing on insurance premiums, insurance plan changes and furlough days, as well as reductions in staff due to enrollment declines, attrition, and right-sizing.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must regularly evaluate the needs of the School District and balance those needs with the State-prescribed available unrestricted resources. While the School District's financial condition has remained stable over the past fiscal year due to the use of fund equity, one-time revenue sources and planned cost reductions measures, given the economic condition of Michigan, the declining population and property values, the shrinking resources available to fund school districts are a major concern for future years. Even though there are signs of the State's economy improving and revenues not declining, other factors, such as funding the pension system from the School Aid Fund, may mean that state funding will remain at the current levels while costs continue to increase. Coupled with declining enrollment and unstable local property values, future revenue is uncertain.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$31.6 million, which is a decrease of approximately \$8.5 million from last year. A summary of governmental fund changes is as follows:

- In the General Fund, our principal operating fund, fund balance decreased from \$11.8 million to \$10.4 million. Total revenue decreased by almost \$7.5 million from 2011 to 2012. Many one-time revenue sources have been discontinued and the State foundation allowance was reduced \$470, including the \$170 proration from 2010-2011. Due to the continued focus on reducing costs, expenditures decreased by approximately \$6.1 million from 2011 to 2012. Total instruction decreased by \$3.7 million and supporting services decreased by \$2.4 million.
- The 2011 Capital Projects Fund fund balance consists of a portion of the proceeds from the sale of the 2011 Building and Site Bonds and Refunding Bonds. Of the bond issue, \$22,430,000 was issued for 2011 School Building and Site capital projects. At June 30, 2012, \$8.2 million was spent in capital outlay with commitments of \$7 million.
- The Special Revenue Funds fund balance for 2012 includes only the Food Service Fund with a balance of approximately \$1.4 million, slightly higher than last year. Federal revenue increased by \$.7 million due to participation in the federal Community Eligibility Option (CEO) program in which nine schools qualified and participated in receiving free breakfast and lunch for all students.
- Combined, the debt service funds showed a fund balance increase of under \$0.1 million. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Millage rates remained the same at 2.5 mills for 2012. Durant debt obligations are funded by annual State appropriation, and no fund balance exists at year end. Debt service funds fund balances are restricted since they can only be used to pay debt service obligations.
- The Nonmajor Capital Projects Fund fund balance increased from \$2.8 million to \$3.4 million. A total of \$2.5 million was transferred out to the General Fund and proceeds from the sale of property were just over \$3.2 million.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted in June 2012. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

There were significant revisions made to the 2011-2012 General Fund original budget. Original budget numbers historically have been based on conservative pupil projections as well as conservative grant funding. Budgeted revenue was adjusted upward for the final budget by \$4.2 million. State sources increased by almost \$3.3 million due to the confirmation of best practice revenue and increased state and federal grant award amounts not included in preliminary figures. Additionally, an increase in the projected enrollment count added approximately \$1.2 million. Budgeted expenditures decreased \$2.8 million, mainly consisting of health insurance plan changes and instituting furlough days. These adjustments were made periodically throughout the year as the funding for grants was secured or estimates changed.

In terms of final budget amounts to actual expenditures, variances occurred due to the following:

- Total revenue was under budget by just under \$2.0 million. Federal and state revenue was under budget mainly due to grants, such as the Great Start Readiness Program (GSRP), at-risk grants, and various federal grants, which were budgeted at full amount but were only partially expended with amounts remaining for future grant purposes.
- Basic programs, added needs, and pupil and instructional support were underspent due to carryover of federal and state grant funds, with amounts budgeted at the full award amount and expenditures partially expended through June 30, 2012. Additionally, textbooks and supplies were underspent.
- Administration and operational budgets were underspent due to conservative budgeting in these areas and a concerted effort to curtail spending in the last quarter in light of the financial challenges and structural deficit the School District continues to face.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the School District had \$61.2 million invested in a broad range of capital assets, including land, buildings, construction in progress, vehicles, furniture, and equipment. This net amount represents a net increase (including additions, disposals, and depreciation) of approximately \$1.9 million, consisting of additions of almost \$8.4 million (mostly bond related), offset by depreciation expense and the disposal of Chippewa Middle School land and buildings.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

	2012	2011
Land	\$ 10,500	\$ 11,000
Construction in progress	7,070,154	30,007
Buildings and improvements	81,167,404	88,160,027
Furniture and equipment	6,437,361	5,633,829
Vehicles	751,035	779,548
Buses	4,928,239	4,928,239
	<hr/>	<hr/>
Total capital assets	100,364,693	99,542,650
Less accumulated depreciation	39,160,975	40,252,976
	<hr/>	<hr/>
Net capital assets	\$ 61,203,718	\$ 59,289,674

We present more detailed information about our capital assets in the notes to the basic financial statements. Please refer to Note 5 - Capital Assets for additional information.

Debt

At the end of this year, the School District had \$37.4 million in bonds outstanding versus \$40.4 million in the previous year - a decrease of 7 percent, due to the retirement of the 2004 Refunding Bonds. Those bonds consisted of the following:

	2012	2011
General obligation bonds	\$ 37,210,000	\$ 40,040,000
Durant Non-Plaintiff Bonds	193,337	377,890
	<hr/>	<hr/>
Total	\$ 37,403,337	\$ 40,417,890

The School District's general obligation bond rating is A/Aa2 (S&P/Moody's). The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit.

Other obligations include accrued sick leave, accrued vacation leave, estimated unemployment obligations, and certain risk liabilities. We present more detailed information about our long-term liabilities in the notes to the basic financial statements. Please refer to Note 7 - Long-term Debt for additional information.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2013 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2013 fiscal year is anticipated to be 10 percent and 90 percent of the February 2012 and October 2012 student counts, respectively. The 2013 budget was adopted in June 2012, based on an estimate of students that will be enrolled in September 2012. Approximately two-thirds of the total General Fund revenue is generated from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2013 school year, we anticipate that the fall student count will be higher than the estimates used in creating the 2013 budget, but still lower than 2012. Once the final student count and related per-pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. Additionally, the funding formula calls for per-pupil funding to be paid by two sources, local "non-homestead" property taxes and unrestricted state aid. Whatever is not paid for by the local tax is made up for by the State as long as the School District maintains a certain state-determined millage rate. With the declining values in property taxes, the districts will be relying on the state aid to make up the foundation allowance. The State periodically holds a revenue-estimating conference to estimate revenue. After the May 2012 conference, House Bill 5372 was passed as Public Act No. 201 for the School Aid Budget for 2012-2013. This budget increases the foundation allowance by \$52 per pupil. Last year's best practice incentive is replaced with new incentives for this year expected to generate about half the revenue. The Michigan Public School Employees' Retirement System (MPERS) one-time cost offset of approximately \$100 per pupil will continue as well. The net effect of these changes is that funding will remain flat from 2011-2012 to 2012-2013. Retirement reform was passed by the governor in September 2012. The reform was intended to freeze the contribution rate at 24.46 percent. However, the rate has been adjusted upward to 25.36 percent of covered payroll, effective October 1, 2012. The School District continues to analyze expenditures for budget reductions that will not negatively affect the School District's goal of delivering an excellent education to its students, while also faced with increases in employee and operating costs. Detailed forecasting and careful budget planning are underway, so that as a result, the School District will be able to deal with the effects of the struggling economy successfully.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the finance department at 1925 Lapeer Avenue, Port Huron, Michigan 48060.

Port Huron Area School District

Statement of Net Assets June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 16,532,943
Receivables (Note 4)	15,128,747
Inventories	114,921
Prepaid costs	992,462
Restricted cash and investments (Notes 3 and 8)	18,837,352
Capital assets:	
Nondepreciating (Note 5)	7,080,654
Depreciating - Net (Note 5)	<u>54,123,064</u>
Total assets	112,810,143
Liabilities	
Accounts payable	3,654,297
Accrued payroll-related liabilities	9,938,548
Accrued interest	209,067
Due to other governmental units	168,075
Unearned revenue (Note 4)	868,207
Noncurrent liabilities (Note 7):	
Due within one year	3,427,679
Due in more than one year	<u>36,207,800</u>
Total liabilities	<u>54,473,673</u>
Net Assets	
Invested in capital assets - Net of related debt	40,672,979
Restricted:	
Debt service	1,459,327
Capital projects	48,553
Food service	1,398,158
Unrestricted	<u>14,757,453</u>
Total net assets	<u><u>\$ 58,336,470</u></u>

Port Huron Area School District

Statement of Activities Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 63,082,798	\$ 203,568	\$ 19,941,714	\$ (42,937,516)
Support services	29,124,558	-	-	(29,124,558)
Athletics	980,485	191,932	-	(788,553)
Food services	3,536,286	484,276	3,399,915	347,905
Community services	323,853	833,229	-	509,376
Interest	1,684,348	-	-	(1,684,348)
Total primary government	<u>\$ 98,732,328</u>	<u>\$ 1,713,005</u>	<u>\$ 23,341,629</u>	(73,677,694)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				11,803,325
Property taxes, levied for debt service				4,447,786
State aid not restricted to specific purposes				53,571,085
Federal sources - Unrestricted				169,456
Interest and investment earnings				84,546
Other				164,735
Total general revenue				<u>70,240,933</u>
Change in Net Assets				(3,436,761)
Net Assets - Beginning of year				<u>61,773,231</u>
Net Assets - End of year				<u>\$ 58,336,470</u>

Port Huron Area School District

Governmental Funds Balance Sheet June 30, 2012

	General Fund	2011 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 6,447,309	\$ -	\$ 4,803,410	\$ 11,250,719
Receivables (Note 4)	15,003,741	125,006	-	15,128,747
Due from other funds (Note 6)	-	-	181	181
Inventories	93,106	-	21,815	114,921
Prepaid costs	992,462	-	-	992,462
Restricted cash and investments (Notes 3 and 8)	-	17,169,139	1,668,213	18,837,352
Total assets	\$ 22,536,618	\$ 17,294,145	\$ 6,493,619	\$ 46,324,382
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 875,421	\$ 2,650,180	\$ 5,750	\$ 3,531,351
Accrued payroll-related liabilities	9,938,548	-	-	9,938,548
Due to other governmental units	168,075	-	-	168,075
Due to other funds (Note 6)	110,917	-	-	110,917
Deferred revenue (Note 4)	1,003,720	-	-	1,003,720
Total liabilities	12,096,681	2,650,180	5,750	14,752,611
Fund Balances				
Nonspendable:				
Inventory	93,106	-	21,815	114,921
Prepaid costs	992,462	-	-	992,462
Restricted:				
Capital projects	-	14,643,965	-	14,643,965
Debt service	-	-	1,668,394	1,668,394
Food service	-	-	1,376,343	1,376,343
Assigned:				
Capital projects	-	-	3,421,317	3,421,317
Encumbrances	101,672	-	-	101,672
Cash shortfall during 2012/2013 period	269,000	-	-	269,000
Budgeted use of fund balance in subsequent year	4,506,000	-	-	4,506,000
Unassigned	4,477,697	-	-	4,477,697
Total fund balances	10,439,937	14,643,965	6,487,869	31,571,771
Total liabilities and fund balances	\$ 22,536,618	\$ 17,294,145	\$ 6,493,619	\$ 46,324,382

Port Huron Area School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2012

Fund Balance Reported in Governmental Funds	\$	31,571,771
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 are not reported in the funds:		
Cost of capital assets	\$	95,436,454
Accumulated depreciation	<u>(36,019,150)</u>	59,417,304
Other long-term assets not available to pay current period expenditures are therefore deferred in the governmental funds		135,513
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Bonds payable including premium and deferred charges		(37,844,662)
Accrued interest payable is not included as a liability in governmental funds		(209,067)
Internal service funds assets and liabilities are included in governmental activities in the statement of net assets		<u>5,265,611</u>
Net Assets of Governmental Activities	\$	<u>58,336,470</u>

Port Huron Area School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	2011 Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Local sources	\$ 13,183,217	\$ 48,521	\$ 5,113,889	\$ 18,345,627
State sources	61,740,936	-	284,950	62,025,886
Federal sources	8,274,471	-	3,164,007	11,438,478
Interdistrict sources	3,452,602	-	-	3,452,602
Total revenue	<u>86,651,226</u>	<u>48,521</u>	<u>8,562,846</u>	<u>95,262,593</u>
Expenditures				
Current:				
Instruction	62,659,525	-	-	62,659,525
Support services	27,479,203	84,642	-	27,563,845
Athletics	980,485	-	-	980,485
Food services	-	-	3,493,987	3,493,987
Community services	323,853	-	-	323,853
Debt service:				
Principal	-	-	3,014,553	3,014,553
Interest	-	-	1,582,386	1,582,386
Other	-	-	15,628	15,628
Capital outlay	-	8,089,867	236,172	8,326,039
Total expenditures	<u>91,443,066</u>	<u>8,174,509</u>	<u>8,342,726</u>	<u>107,960,301</u>
Excess of Expenditures (Under) Over Revenue	(4,791,840)	(8,125,988)	220,120	(12,697,708)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	3,257,393	3,257,393
Transfers in	3,401,112	-	365,231	3,766,343
Transfers out	-	(911)	(2,864,320)	(2,865,231)
Total other financing sources (uses)	<u>3,401,112</u>	<u>(911)</u>	<u>758,304</u>	<u>4,158,505</u>
Net Change in Fund Balances	(1,390,728)	(8,126,899)	978,424	(8,539,203)
Fund Balances - Beginning of year	<u>11,830,665</u>	<u>22,770,864</u>	<u>5,509,445</u>	<u>40,110,974</u>
Fund Balances - End of year	<u>\$10,439,937</u>	<u>\$14,643,965</u>	<u>\$ 6,487,869</u>	<u>\$ 31,571,771</u>

Port Huron Area School District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (8,539,203)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (1,571,761)	
Capitalized capital outlay	<u>8,340,697</u>	6,768,936

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets (4,408,341)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds 32,974

Underwriter's premium (discount) and deferred charges (interest) from refunding bonds reported as revenue and expenditures in the funds and amortized in the statement of activities 18,499

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 3,014,553

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (104,833)

Internal service funds are included as part of governmental activities (219,346)

Change in Net Assets of Governmental Activities \$ (3,436,761)

Port Huron Area School District

Proprietary Funds - Internal Service Funds Combined Statement of Net Assets June 30, 2012

Assets

Current assets - Cash and investments (Note 3)	\$ 5,282,224
Noncurrent assets - Capital assets - Net (Note 5)	<u>1,786,414</u>
Total assets	7,068,638

Liabilities

Current liabilities:	
Accounts payable	12,210
Provision for uninsured losses and liabilities (Notes 7 and 9)	194,765
Accrued severance (Note 7)	<u>101,078</u>
Total current liabilities	308,053
Noncurrent liabilities:	
Provision for uninsured losses and liabilities (Notes 7 and 9)	584,294
Accrued severance (Note 7)	<u>910,680</u>
Total noncurrent liabilities	<u>1,494,974</u>
Total liabilities	<u>1,803,027</u>

Net Assets

Invested in capital assets	1,786,414
Unrestricted	<u>3,479,197</u>
Total net assets	<u><u>\$ 5,265,611</u></u>

Port Huron Area School District

Proprietary Funds - Internal Service Funds Combined Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

Operating Revenue - Charges for services	\$ 1,818,655
Operating Expenses	
Claims and reinsurance charges	398,998
Administrative and other	34,658
Depreciation	446,551
Severance	256,682
	<hr/>
Total operating expenses	1,136,889
Operating Income	681,766
Transfer to Other Funds	<hr/> (901,112)
Change in Net Assets	(219,346)
Net Assets - Beginning of year	<hr/> 5,484,957
Net Assets - End of year	<hr/> \$ 5,265,611

Port Huron Area School District

Proprietary Funds - Internal Service Funds Combined Statement of Cash Flows Year Ended June 30, 2012

Cash Flows from Operating Activities	
Receipts from premiums - General Fund	\$ 1,837,668
Claims paid	<u>(1,827,271)</u>
Net cash provided by operating activities	10,397
Cash Flows from Noncapital Financing Activities - Transfers to other funds	<u>(901,112)</u>
Net Change in Cash and Investments	(890,715)
Cash and Investments - Beginning of year	<u>6,172,939</u>
Cash and Investments - End of year	<u>\$ 5,282,224</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 681,766
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	446,551
Changes in assets and liabilities:	
Decrease in due from other funds	19,013
Increase in accounts payable	6,744
Decrease in due to other funds	(29,589)
Decrease in accrued and other liabilities	<u>(1,114,088)</u>
Net cash provided by operating activities	<u>\$ 10,397</u>

Port Huron Area School District

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Student Activities Agency Fund	Private Purpose Trust
Assets		
Cash and investments (Note 3)	\$ 809,558	\$ -
Due from other funds (Note 6)	-	110,736
Total assets	<u>\$ 809,558</u>	110,736
Liabilities - Due to student groups	<u>\$ 809,558</u>	-
Net Assets - Restricted for scholarships		<u>\$ 110,736</u>

Port Huron Area School District

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Private donations	\$ 34,346
Interest	24
Total additions	<u>34,370</u>
Deductions	
Scholarships awarded	26,000
Program supplies	4,977
Total deductions	<u>30,977</u>
Increase in Net Assets	3,393
Net Assets - Beginning of year	<u>107,343</u>
Net Assets - End of year	<u><u>\$ 110,736</u></u>

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Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies

The accounting policies of Port Huron Area School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School 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 revenue. 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. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

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

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - 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 School District considers revenue to be available if it is 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 due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest 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 School District.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenue of our proprietary funds relates to charges for services. Operating expenses for proprietary funds include cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual method of accounting, with the exception of agency funds, which have no measurement focus.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District except those required to be accounted for in another fund.

2011 Capital Projects Fund - The 2011 Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically designed for remodeling and updating existing facilities and acquiring technology. The fund operates until the purpose for which it was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Fund is the Food Service Fund, which accounts for the activities associated with providing meals to students. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - The Debt Service Funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the various outstanding bond issues.

Capital Projects Fund - The Capital Projects Fund is used to record revenue and the disbursement of invoices specifically designed for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created has been accomplished.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Internal Service Funds - The purpose of Internal Service Funds is to finance services provided to other funds on a cost-reimbursement basis. The Internal Service Insurance Funds maintained by the School District include the Workers' Compensation Self-insurance, Dental Self-insurance, Vision Self-insurance, and the Medical Self-insurance Funds. They are funded through charges to the General and Food Service Funds in amounts equal to actuarially estimated workers' compensation, dental, vision, and medical premiums for a given year. The School District also maintains a Bus Reserve Fund. The Bus Reserve Fund was funded by General Fund transfers in prior years to replace the current School District bus fleet. The School District maintains a Severance Fund and an Unemployment Fund which are funded by charges to the General Fund and Food Service Fund equal to the estimated severance charge as well as any unemployment obligations.

Student Activities Funds - The School District presently maintains an Agency Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

Private Purpose Trust Fund - The Private Purpose Trust Fund is used to account for resources legally held in trust, including contributions received by the School District to be awarded in the form of scholarships.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of one year or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Costs - Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements. The School District uses the purchases method to report prepaid costs in governmental funds.

Restricted Assets - Restricted assets exist when their use is constrained for a particular purpose. This includes the unspent bond proceeds of the 2011 Capital Projects Fund and amounts legally segregated for payment of debt.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. 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 and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

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

Buildings and building additions	20 to 50 years
Buses and other vehicles	5 to 12 years
Furniture and other equipment	5 to 12 years

Compensated Absences (Vacation, Sick Leave, and Early Termination Benefits) - The liability for compensated absences reported in the government-wide and proprietary fund statements consists of earned but unused accumulated vacation, sick leave, and early termination benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included. The liability is recorded in the Severance Fund.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned** - Intent to spend resources on specific purposes expressed by the Board of Education or Director for Finance, who is authorized by resolution approved by the Board of Education to make assignments.
- **Unassigned** - Remaining amounts of fund balance that have not been restricted, committed, or assigned for specific purposes

The Board of Education has adopted a fund balance policy. The fund balance policy prescribes the desired fund balance as two to two-and-one-half months' expenditures based on the General Fund budgeted first quarter expenditures. This is deemed, by the Board of Education, to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year.

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and Special Revenue Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

The statement of revenue, expenditures, and changes in fund balance presents capital outlay separately, as required by generally accepted accounting principles.

State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budgets were amended in a legally permissible manner. The School District adjusted budgeted amounts during the school year in response to changes in actual enrollment, final foundation allowance, and changes in grant awards.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Capital Projects Fund Compliance - The 2011 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2011 Capital Projects Fund from the inception of the fund through the current fiscal year.

Revenue and other sources	\$ 22,894,868
Expenditures and other uses	(8,250,903)

For this capital project, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

The School District has designated seven banks for the deposit of its funds.

The investment policy adopted by the board has authorized investments as listed in the State statutory authority as listed above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$15,808,084 had \$15,307,556 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of 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 School District's cash requirements.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality rating of securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
MILAF	\$ 22,260,744	N/A	AAAm	Standard & Poor's

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Receivables and Deferred Revenue

Receivables as of year end are as follows:

	<u>General Fund</u>	<u>2011 Capital Projects Fund</u>
Receivables:		
Taxes receivable	\$ 135,513	\$ -
Accounts receivable	1,266,996	-
Accrued interest receivable	-	125,006
Due from other governmental units	13,601,232	-
Total receivables	<u>\$ 15,003,741</u>	<u>\$ 125,006</u>

Due from other governmental units includes federal receivables of \$2,414,283 for federal grants as reported on the schedule of expenditures of federal awards (under separate cover) and the state aid receivable of \$11,186,949. The state aid and federal grants have been recognized as revenue in the current year as required by accounting principles generally accepted in the United States of America.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 4 - Receivables and Deferred Revenue (Continued)

	Governmental Funds		
	Unavailable	Unearned	Total
Property taxes	\$ 135,513	\$ -	\$ 135,513
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	868,207	868,207
Total	\$ 135,513	\$ 868,207	\$ 1,003,720

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

Governmental Activities	Balance July 1, 2011	Additions/ Transfers	Disposals/ Transfers	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 11,000	\$ -	\$ 500	\$ 10,500
Construction in progress	30,007	7,169,729	129,582	7,070,154
Subtotal	41,007	7,169,729	130,082	7,080,654
Capital assets being depreciated:				
Buildings and improvements	88,160,027	129,582	7,122,205	81,167,404
Furniture and equipment	5,633,829	1,019,949	216,417	6,437,361
Vehicles	779,548	21,437	49,950	751,035
Buses	4,928,239	-	-	4,928,239
Subtotal	99,501,643	1,170,968	7,388,572	93,284,039
Accumulated depreciation:				
Buildings and improvements	35,159,771	1,416,543	2,866,220	33,710,094
Furniture and equipment	2,195,238	130,430	199,138	2,126,530
Vehicles	202,693	24,788	44,955	182,526
Buses	2,695,274	446,551	-	3,141,825
Subtotal	40,252,976	2,018,312	3,110,313	39,160,975
Net capital assets being depreciated	59,248,667	(847,344)	4,278,259	54,123,064
Net capital assets	\$ 59,289,674	\$ 6,322,385	\$ 4,408,341	\$ 61,203,718

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

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

Governmental activities:

Instruction	\$ 1,213,094
Support services	762,919
Food services	<u>42,299</u>
Total governmental activities	<u>\$ 2,018,312</u>

Construction Commitments - The School District has active construction projects at year end. The School District's cumulative expenditures and remaining commitments with contractors as of June 30, 2012 are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2011 School Building and Site Bonds	\$ 8,249,992	\$ 6,992,395

Note 6 - Interfund Receivables, Payables, and Transfers

The General Fund has amounts due to the Debt Service Funds totaling \$181 as a result of current year activity related to interest income. The General Fund also has amounts totaling \$110,736 due to the Private Purpose Trust Fund for scholarship funds held in trust, for which the cash is invested through the General Fund. All remaining balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made. The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From General Fund</u>
Fiduciary funds	\$ 110,736
Nonmajor governmental funds	<u>181</u>
Total	<u>\$ 110,917</u>

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Transfers In	Transfers Out			Total
	2011 Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 2,500,000	\$ 901,112	\$ 3,401,112
Nonmajor governmental funds	911	364,320	-	365,231
Total	<u>\$ 911</u>	<u>\$ 2,864,320</u>	<u>\$ 901,112</u>	<u>\$ 3,766,343</u>

Transfers from the 2011 Capital Projects Fund to the nonmajor governmental funds represented reimbursement to the 2011 Debt Service Fund for bond issuance costs. Transfers from the nonmajor governmental funds to the General Fund represented transfers from the Capital Projects Fund to the General Fund of resources that the School District no longer assigned for capital project purposes. Transfers between nonmajor governmental funds included amounts to close out the 2002 Refunding and 2005 Refunding Debt Service Funds and transfer remaining cash balances to other debt service funds. Transfers from the internal service funds to the General Fund included amounts related to workers' compensation adjustments as actuarially determined and amounts to close out the Medical Fund and transfer the remaining cash balance to the General Fund.

Note 7 - Long-term Debt

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, termination benefits, and workers' compensation liabilities.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 40,417,890	\$ -	\$ 3,014,553	\$ 37,403,337	\$ 3,113,337
Less deferred amounts:					
Issuance premiums	862,497	-	80,448	782,049	80,448
Deferred (interest) charges from refunding bonds	(402,673)	-	(61,949)	(340,724)	(61,949)
Total bonds payable	40,877,714	-	3,033,052	37,844,662	3,131,836
Other obligations:					
Employee severance	1,568,075	24,315	580,632	1,011,758	101,078
Workers' compensation	1,336,830	-	557,771	779,059	194,765
Total governmental activities	<u>\$ 43,782,619</u>	<u>\$ 24,315</u>	<u>\$ 4,171,455</u>	<u>\$ 39,635,479</u>	<u>\$ 3,427,679</u>

Annual debt service requirements to maturity for the above governmental bonds and Durant Non-Plaintiff Bond are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2013	\$ 3,113,337	\$ 1,631,705	\$ 4,745,042
2014	3,040,000	1,490,463	4,530,463
2015	2,270,000	1,373,263	3,643,263
2016	2,325,000	1,283,463	3,608,463
2017	2,350,000	1,192,213	3,542,213
2018-2022	8,780,000	4,748,648	13,528,648
2023-2027	8,625,000	2,859,188	11,484,188
2028-2031	6,900,000	862,500	7,762,500
Total	<u>\$ 37,403,337</u>	<u>\$ 15,441,443</u>	<u>\$ 52,844,780</u>

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Governmental Activities

Bonds payable consist of the following:

General Obligation Bonds

\$5,290,000 serial bonds due in annual installments of \$1,450,000 to \$1,975,000 through May 1, 2014; interest at 5.0 percent to 5.25 percent	\$ 3,425,000
\$9,895,000 refunding bonds due in annual installments of \$645,000 to \$2,225,000 through May 1, 2018; interest at 4.0 percent	9,465,000
\$25,300,000 serial and refunding bonds due in annual installments of \$50,000 to \$1,725,000 through May 1, 2031; interest at 2.0 percent to 5.0 percent	<u>24,320,000</u>
Total general obligation bonds	37,210,000

Durant Non-Plaintiff Bond

\$2,884,463 serial bonds, final annual installment payment of \$193,337 due on May 15, 2013; interest at 4.76 percent	<u>193,337</u>
Total bonded debt	<u>\$ 37,403,337</u>

Durant Non-Plaintiff Bond - Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any school district debt levy or utilization of any other school district financial resources. During the year ended June 30, 2007, the State of Michigan revised the payment schedule of the obligation. The total obligation was not changed and the revised payment schedule is reflected above.

Other governmental activities long-term obligations include the following:

Employee severance	\$ 1,011,758
Workers' compensation self-insurance	<u>779,059</u>
Total other obligations	<u>\$ 1,790,817</u>

Employee severance obligations and workers' compensation obligations have historically been liquidated with Internal Service Fund resources.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - In prior years, the School District defeased certain bonds by placing the proceeds on new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2012, \$9,250,000 of bonds outstanding are considered defeased.

Note 8 - Restricted Assets

The balance of governmental activities restricted cash and investments at June 30, 2012 is as follows:

Amount segregated for bonded capital projects	\$ 17,169,139
Amount segregated for payment of debt	<u>1,668,213</u>
Total restricted assets	<u>\$ 18,837,352</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for health, travel/accident, crime and dishonesty, and athletics and participates in the Middle Cities risk pool for claims relating to boilers, fleet, school board, property, and general liability; the School District is uninsured for dental and vision claims and is uninsured, up to \$300,000 per incident, for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Middle Cities risk pool operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the service pool that the service pool uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the School District.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported, using data provided by their claims processor and historical lag activity. These estimates are recorded in the government-wide statements. The estimated liability for unpaid claims related to dental and vision is not significant.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 9 - Risk Management (Continued)

Changes in the estimated liability for the past two fiscal years were as follows:

	2012	2011
Estimated liability - Beginning of year	\$ 1,336,830	\$ 1,336,830
Estimated claims incurred	156,845	222,272
Changes in estimates	(557,771)	-
Claim payments	(156,845)	(222,272)
Unpaid claims - End of year	<u>\$ 779,059</u>	<u>\$ 1,336,830</u>

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate for basic plan members was 12.16 percent of covered payroll for the period from July 1, 2011 through September 30, 2011 and 15.96 percent for the period from October 1, 2011 through June 30, 2012. The employer contribution rate for pension plus plan members was 10.66 percent for the period from July 1, 2011 through September 30, 2011 and 14.73 percent for the period from October 1, 2011 through June 30, 2012. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required and actual contributions to the MPSERS plan for the years ended June 30, 2012, 2011, and 2010 were \$8,034,754, \$6,463,516, and \$5,990,235, respectively.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 8.50 percent for the period from July 1, 2011 through June 30, 2012. The School District's required and actual contributions to the plan for the retiree healthcare benefits for the years ended June 30, 2012, 2011, and 2010 were \$4,279,045, \$4,446,065, and \$4,026,998, respectively.

Note 11 - Upcoming Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the School District's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the School District as of June 30, 2014.

Port Huron Area School District

Notes to Financial Statements June 30, 2012

Note 11 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Note 12 - Contingent Liabilities

The School District has been named in a lawsuit that is currently being heard by an Administrative Law Judge. Management feels that the case will be settled in favor of the School District and has therefore not assigned fund balance or recorded a liability in the statement of net assets.

Required Supplemental Information

Port Huron Area School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 13,696,382	\$ 13,330,627	\$ 13,183,217	\$ (147,410)
State sources	59,266,615	62,524,199	61,740,936	(783,263)
Federal sources	8,548,201	9,253,121	8,274,471	(978,650)
Interdistrict sources	<u>2,950,989</u>	<u>3,502,503</u>	<u>3,452,602</u>	<u>(49,901)</u>
Total revenue	84,462,187	88,610,450	86,651,226	(1,959,224)
Expenditures - Current				
Instruction:				
Basic program	51,738,223	47,725,533	46,988,576	(736,957)
Added needs	16,432,633	16,174,336	14,926,428	(1,247,908)
Other programs	<u>802,809</u>	<u>760,962</u>	<u>744,521</u>	<u>(16,441)</u>
Total instruction	68,973,665	64,660,831	62,659,525	(2,001,306)
Support services:				
Pupil	4,781,534	4,763,539	4,647,411	(116,128)
Instructional staff	5,120,928	5,092,306	4,530,774	(561,532)
General administration	668,082	716,405	699,081	(17,324)
School administration	5,470,222	5,408,919	5,331,459	(77,460)
Business services	903,782	1,001,417	974,489	(26,928)
Operations	6,701,964	6,822,417	6,465,605	(356,812)
Transportation	3,450,975	3,291,547	3,256,565	(34,982)
Central	<u>514,444</u>	<u>1,871,256</u>	<u>1,573,819</u>	<u>(297,437)</u>
Total support services	27,611,931	28,967,806	27,479,203	(1,488,603)
Athletics	1,027,289	1,073,434	980,485	(92,949)
Community services	<u>300,278</u>	<u>379,347</u>	<u>323,853</u>	<u>(55,494)</u>
Total expenditures	97,913,163	95,081,418	91,443,066	(3,638,352)
Excess of Expenditures Over Revenue	(13,450,976)	(6,470,968)	(4,791,840)	1,679,128
Other Financing Sources -				
Transfers in	<u>3,342,876</u>	<u>3,405,255</u>	<u>3,401,112</u>	<u>(4,143)</u>
Net Change in Fund Balance	(10,108,100)	(3,065,713)	(1,390,728)	1,674,985
Fund Balance - Beginning of year	<u>11,830,665</u>	<u>11,830,665</u>	<u>11,830,665</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,722,565</u></u>	<u><u>\$ 8,764,952</u></u>	<u><u>\$ 10,439,937</u></u>	<u><u>\$ 1,674,985</u></u>

Port Huron Area School District

Note to Required Supplemental Information Year Ended June 30, 2012

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Special Revenue Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level (i.e., the level at which expenditures may not legally exceed appropriations). State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the current year, the budgets were amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant actual expenditures in excess of budgeted amounts.

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Other Supplemental Information

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Port Huron Area School District

Other Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Food Service Fund Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 978,900	\$ 735,900	\$ 639,426	\$ (96,474)
State sources	150,000	150,000	82,404	(67,596)
Federal sources	<u>2,689,000</u>	<u>3,114,132</u>	<u>3,164,007</u>	<u>49,875</u>
Total revenue	3,817,900	4,000,032	3,885,837	(114,195)
Expenditures - Food services				
Salaries, wages, and fringes	1,178,436	1,364,517	1,234,245	(130,272)
Food and milk	1,703,000	1,970,000	1,769,611	(200,389)
Other	<u>729,800</u>	<u>778,600</u>	<u>542,569</u>	<u>(236,031)</u>
Total expenditures	<u>3,611,236</u>	<u>4,113,117</u>	<u>3,546,425</u>	<u>(566,692)</u>
Net Change in Fund Balance	206,664	(113,085)	339,412	452,497
Fund Balance - Beginning of year	<u>1,058,746</u>	<u>1,058,746</u>	<u>1,058,746</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,265,410</u></u>	<u><u>\$ 945,661</u></u>	<u><u>\$ 1,398,158</u></u>	<u><u>\$ 452,497</u></u>

Port Huron Area School District

	Special	Debt Service Funds		
	Revenue Fund			
		2002		2005
	Food Service	Refunding	2002 B&S	Refunding
Assets				
Cash and investments	\$ 1,382,093	\$ -	\$ -	\$ -
Due from other funds	-	-	78	-
Inventories	21,815	-	-	-
Restricted cash and investments	-	-	824,267	-
Total assets	\$ 1,403,908	\$ -	\$ 824,345	\$ -
Liabilities and Fund Balances				
Liabilities - Accounts payable	\$ 5,750	\$ -	\$ -	\$ -
Fund Balances				
Nonspendable - Inventory	21,815	-	-	-
Restricted:				
Debt service	-	-	824,345	-
Food service	1,376,343	-	-	-
Assigned	-	-	-	-
Total fund balances	1,398,158	-	824,345	-
Total liabilities and fund balances	\$ 1,403,908	\$ -	\$ 824,345	\$ -

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Debt Service Funds				
2006 Refunding	Durant	2011 Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,421,317	\$ 4,803,410
3	-	100	-	181
-	-	-	-	21,815
155,856	-	688,090	-	1,668,213
\$ 155,859	\$ -	\$ 688,190	\$ 3,421,317	\$ 6,493,619
\$ -	\$ -	\$ -	\$ -	\$ 5,750
-	-	-	-	21,815
155,859	-	688,190	-	1,668,394
-	-	-	-	1,376,343
-	-	-	3,421,317	3,421,317
155,859	-	688,190	3,421,317	6,487,869
\$ 155,859	\$ -	\$ 688,190	\$ 3,421,317	\$ 6,493,619

Port Huron Area School District

	Special	Debt Service Funds		
	Revenue Fund			
	Food Service	2002 Refunding	2002 B&S	2005 Refunding
Revenue				
Local sources	\$ 639,426	\$ 884,047	\$ 987,594	\$ 94
State sources	82,404	-	-	-
Federal sources	3,164,007	-	-	-
Total revenue	3,885,837	884,047	987,594	94
Expenditures				
Current - Food services	3,493,987	-	-	-
Debt service:				
Principal	-	1,525,000	325,000	-
Interest	-	76,250	189,188	-
Other	-	-	273	14,696
Capital outlay	52,438	-	-	-
Total expenditures	3,546,425	1,601,250	514,461	14,696
Excess of Revenue Over (Under)				
Expenditures	339,412	(717,203)	473,133	(14,602)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	58,082	-
Transfers out	-	(133,217)	-	(231,103)
Total other financing (uses) sources	-	(133,217)	58,082	(231,103)
Net Change in Fund Balances	339,412	(850,420)	531,215	(245,705)
Fund Balances - Beginning of year	1,058,746	850,420	293,130	245,705
Fund Balances - End of year	\$ 1,398,158	\$ -	\$ 824,345	\$ -

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

Debt Service Funds				
2006 Refunding	Durant	2011 Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 303,846	\$ -	\$ 2,298,882	\$ -	\$ 5,113,889
-	202,546	-	-	284,950
-	-	-	-	3,164,007
303,846	202,546	2,298,882	-	8,562,846
-	-	-	-	3,493,987
-	184,553	980,000	-	3,014,553
378,600	17,993	920,355	-	1,582,386
225	-	434	-	15,628
-	-	-	183,734	236,172
378,825	202,546	1,900,789	183,734	8,342,726
(74,979)	-	398,093	(183,734)	220,120
-	-	-	3,257,393	3,257,393
17,052	-	290,097	-	365,231
-	-	-	(2,500,000)	(2,864,320)
17,052	-	290,097	757,393	758,304
(57,927)	-	688,190	573,659	978,424
213,786	-	-	2,847,658	5,509,445
\$ 155,859	\$ -	\$ 688,190	\$ 3,421,317	\$ 6,487,869

Port Huron Area School District

	Workers' Compensation Self-insurance	Vision Self- insurance	Dental Self- insurance
Assets			
Current assets - Cash and investments	\$ 3,340,575	\$ 52,975	\$ 284,605
Noncurrent assets - Capital assets - Net	-	-	-
Total assets	<u>3,340,575</u>	<u>52,975</u>	<u>284,605</u>
Liabilities			
Current liabilities:			
Accounts payable	10,000	336	1,874
Provision for uninsured losses and liabilities	194,765	-	-
Accrued severance	-	-	-
Total current liabilities	<u>204,765</u>	<u>336</u>	<u>1,874</u>
Noncurrent liabilities:			
Provision for uninsured losses and liabilities	584,294	-	-
Accrued severance	-	-	-
Total noncurrent liabilities	<u>584,294</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>789,059</u>	<u>336</u>	<u>1,874</u>
Net Assets			
Invested in capital assets	-	-	-
Unrestricted	<u>2,551,516</u>	<u>52,639</u>	<u>282,731</u>
Total net assets	<u>\$ 2,551,516</u>	<u>\$ 52,639</u>	<u>\$ 282,731</u>

**Other Supplemental Information
Combining Statement of Net Assets
Proprietary Funds - Internal Service Funds
June 30, 2012**

Medical Self- insurance	Severance	Unemploy- ment	Bus Reserve	Total
\$ -	\$ 740,431	\$ 666,684	\$ 196,954	\$ 5,282,224
-	-	-	1,786,414	1,786,414
-	740,431	666,684	1,983,368	7,068,638
-	-	-	-	12,210
-	-	-	-	194,765
-	101,078	-	-	101,078
-	101,078	-	-	308,053
-	-	-	-	584,294
-	639,353	271,327	-	910,680
-	639,353	271,327	-	1,494,974
-	740,431	271,327	-	1,803,027
-	-	-	1,786,414	1,786,414
-	-	395,357	196,954	3,479,197
\$ -	\$ -	\$ 395,357	\$ 1,983,368	\$ 5,265,611

Port Huron Area School District

	Workers' Compensation Self-insurance	Vision Self- insurance	Dental Self- insurance
Operating Revenue - Charges for services	\$ 1,117,263	\$ 3,133	\$ 163,005
Operating Expenses			
Claims and reinsurance charges	66,601	4,844	155,191
Administrative and other	10,130	1,863	22,665
Depreciation	-	-	-
Severance	-	-	-
Total operating expenses	<u>76,731</u>	<u>6,707</u>	<u>177,856</u>
Operating Income (Loss)	1,040,532	(3,574)	(14,851)
Transfer to Other Funds	<u>849,289</u>	-	-
Change in Net Assets	191,243	(3,574)	(14,851)
Net Assets - Beginning of year	<u>2,360,273</u>	<u>56,213</u>	<u>297,582</u>
Net Assets - End of year	<u><u>\$ 2,551,516</u></u>	<u><u>\$ 52,639</u></u>	<u><u>\$ 282,731</u></u>

**Other Supplemental Information
Combining Statement of Revenue, Expenses, and
Changes in Net Assets
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2012**

Medical Self- Insurance	Severance	Unemploy- ment	Bus Reserve	Total
\$ -	\$ 256,682	\$ 278,572	\$ -	\$ 1,818,655
30	-	172,332	-	398,998
-	-	-	-	34,658
-	-	-	446,551	446,551
-	256,682	-	-	256,682
<u>30</u>	<u>256,682</u>	<u>172,332</u>	<u>446,551</u>	<u>1,136,889</u>
(30)	-	106,240	(446,551)	681,766
<u>35,889</u>	<u>-</u>	<u>-</u>	<u>15,934</u>	<u>901,112</u>
(35,919)	-	106,240	(462,485)	(219,346)
<u>35,919</u>	<u>-</u>	<u>289,117</u>	<u>2,445,853</u>	<u>5,484,957</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,357</u>	<u>\$ 1,983,368</u>	<u>\$ 5,265,611</u>

Port Huron Area School District

	Workers' Compensation Self-insurance	Vision Self- insurance	Dental Self- insurance
Cash Flows from Operating Activities			
Receipts from premiums - General Fund	\$ 1,117,263	\$ 3,133	\$ 163,005
Claims paid	<u>(629,968)</u>	<u>(6,371)</u>	<u>(175,982)</u>
Net cash provided by (used in) operating activities	487,295	(3,238)	(12,977)
Cash Flows from Noncapital Financing Activities - Transfers to other funds	<u>(849,289)</u>	-	-
Net Change in Cash and Investments	(361,994)	(3,238)	(12,977)
Cash and Investments - Beginning of year	<u>3,702,569</u>	<u>56,213</u>	<u>297,582</u>
Cash and Investments - End of year	<u>\$ 3,340,575</u>	<u>\$ 52,975</u>	<u>\$ 284,605</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 1,040,532	\$ (3,574)	\$ (14,851)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Decrease in due from other funds	-	-	-
Decrease in due to other funds	-	-	-
Increase in accounts payable	4,534	336	1,874
Decrease in accrued and other liabilities	<u>(557,771)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 487,295</u>	<u>\$ (3,238)</u>	<u>\$ (12,977)</u>

**Other Supplemental Information
Combining Statement of Cash Flows
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2012**

Medical Self- insurance	Severence	Unemploy- ment	Bus Reserve	Total
\$ 19,013 (30)	\$ 256,682 (542,953)	\$ 278,572 (471,967)	\$ - -	\$ 1,837,668 (1,827,271)
18,983	(286,271)	(193,395)	-	10,397
(35,889)	-	-	(15,934)	(901,112)
(16,906)	(286,271)	(193,395)	(15,934)	(890,715)
16,906	1,026,702	860,079	212,888	6,172,939
\$ -	\$ 740,431	\$ 666,684	\$ 196,954	\$ 5,282,224

\$ (30)	\$ -	\$ 106,240	\$ (446,551)	\$ 681,766
-	-	-	446,551	446,551
19,013	-	-	-	19,013
-	(29,589)	-	-	(29,589)
-	-	-	-	6,744
-	(256,682)	(299,635)	-	(1,114,088)
\$ 18,983	\$ (286,271)	\$ (193,395)	\$ -	\$ 10,397

Port Huron Area School District

Other Supplemental Information Schedule of Bonded Indebtedness June 30, 2012

June 30	2002 Issue Principal	2006 Refunding Principal	Durant Issue Principal	2011 Issue Principal	Total All Issues
2013	\$ 1,975,000	\$ -	\$ 193,337	\$ 945,000	\$ 3,113,337
2014	1,450,000	645,000	-	945,000	3,040,000
2015	-	2,220,000	-	50,000	2,270,000
2016	-	2,225,000	-	100,000	2,325,000
2017	-	2,200,000	-	150,000	2,350,000
2018	-	2,175,000	-	180,000	2,355,000
2019	-	-	-	1,550,000	1,550,000
2020	-	-	-	1,575,000	1,575,000
2021	-	-	-	1,625,000	1,625,000
2022	-	-	-	1,675,000	1,675,000
2023	-	-	-	1,725,000	1,725,000
2024	-	-	-	1,725,000	1,725,000
2025	-	-	-	1,725,000	1,725,000
2026	-	-	-	1,725,000	1,725,000
2027	-	-	-	1,725,000	1,725,000
2028	-	-	-	1,725,000	1,725,000
2029	-	-	-	1,725,000	1,725,000
2030	-	-	-	1,725,000	1,725,000
2031	-	-	-	1,725,000	1,725,000
Total	\$ 3,425,000	\$ 9,465,000	\$ 193,337	\$ 24,320,000	\$ 37,403,337
Principal payments due on	May 1	May 1	May 15	May 1	
Interest payments due on	May 1 and November 1	May 1 and November 1	May 15	May 1 and November 1	
Interest rate	5.00% to 5.25%	4.00%	4.76%	2.00% to 5.00%	
Original issue	\$ 5,290,000	\$ 9,895,000	\$ 2,884,463	\$ 25,300,000	

Port Huron Area School District

Other Supplemental Information Schedule of Investment in General Capital Assets by Building June 30, 2012

	Land and Improvements	Buildings and Improvements	Equipment, Furniture, and Vehicles	Total
Elementary Schools				
Cleveland	\$ 500	\$ 3,839,210	\$ 195,136	\$ 4,034,846
Thomas Edison	500	2,959,211	203,521	3,163,232
Garfield	500	2,953,741	246,403	3,200,644
Harrison	500	2,487,534	92,645	2,580,679
Howard D Crull	500	1,714,921	197,049	1,912,470
Indian Woods	500	4,301,033	93,007	4,394,540
Keewahdin	500	3,915,688	181,289	4,097,477
Kimball	500	1,240,354	155,311	1,396,165
Lakeport	500	2,117,601	150,386	2,268,487
McKinley	500	656,425	283,978	940,903
Michigamme	500	3,382,740	117,192	3,500,432
Roosevelt	500	2,778,634	248,311	3,027,445
Woodrow Wilson	500	2,423,240	164,908	2,588,648
Middle Schools				
Central	500	4,391,015	713,926	5,105,441
Fort Gratiot	500	3,689,000	284,145	3,973,645
Holland Woods	500	3,913,160	250,319	4,163,979
High Schools				
Port Huron High	500	20,829,070	450,613	21,280,183
Stadium and Field House	-	652,831	437,048	1,089,879
Port Huron Northern	500	17,970,157	765,934	18,736,591
Other				
Administration building	500	676,085	571,440	1,248,025
Port Huron South	500	-	-	500
Transportation	-	856,837	161,720	1,018,557
Operational services - Building and warehouse	500	489,071	473,080	962,651
Buses	-	-	4,928,239	4,928,239
Other vehicles	-	-	751,035	751,035
Total	<u>\$ 10,500</u>	<u>\$ 88,237,558</u>	<u>\$ 12,116,635</u>	<u>\$ 100,364,693</u>

Port Huron Area School District

Other Supplemental Information Schedule of Changes in General Capital Assets by Source Year Ended June 30, 2012

	Balance July 1, 2011	Additions and Adjustments	Disposals and Adjustments	Balance June 30, 2012
Investment in general fixed assets from:				
Investments in property acquired prior to June 30, 1996	\$ 45,321,930	\$ -	\$ 3,427,298	\$ 41,894,632
Investment in property acquired after June 30, 1996:				
General Fund	6,363,276	55,920	94,288	6,324,908
Donations	690,969	-	-	690,969
Capital projects funds	41,550,730	8,232,339	3,997,068	45,786,001
Food Service Fund	687,506	52,438	-	739,944
Internal service funds	4,928,239	-	-	4,928,239
Total	<u>\$ 99,542,650</u>	<u>\$ 8,340,697</u>	<u>\$ 7,518,654</u>	<u>\$ 100,364,693</u>

Note: Segregation of general fixed assets by source began effective 7/1/96.

Port Huron Area School District

Agency Fund - School Activities Statement of Changes in Assets and Liabilities Year Ended June 30, 2012

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>
Student Activity Fund				
Assets				
Cash and investments	<u>\$ 812,823</u>	<u>\$ 2,218,679</u>	<u>\$ 2,221,944</u>	<u>\$ 809,558</u>
Liabilities				
Due to student groups	<u>\$ 812,823</u>	<u>\$ 2,218,679</u>	<u>\$ 2,221,944</u>	<u>\$ 809,558</u>

Port Huron Area School District

Fiduciary Fund Type Schedule Agency Fund - School Activities Statement of Cash Receipts and Disbursements Year Ended June 30, 2012

	Balance July 1, 2011	Receipts	Disbursements	Balance June 30, 2012
Elementary Schools				
Cleveland	\$ 13,711	\$ 12,309	\$ 11,263	\$ 14,757
Howard D Crull	7,792	27,027	25,096	9,723
Thomas Edison	48,507	88,844	101,554	35,797
Garfield	23,882	55,705	61,296	18,291
Indian Woods	12,196	41,541	40,129	13,608
Keewahdin	18,279	69,288	66,487	21,080
Kimball	8,764	18,265	16,673	10,356
Lakeport	6,246	21,571	22,262	5,555
Michigamme	11,837	37,467	33,370	15,934
Roosevelt	24,604	37,693	40,641	21,656
Woodrow Wilson	17,631	16,371	16,924	17,078
Total elementary schools	<u>193,449</u>	<u>426,081</u>	<u>435,695</u>	<u>183,835</u>
Middle Schools				
Central	42,053	173,196	169,935	45,314
Fort Gratiot	65,824	138,038	145,447	58,415
Holland Woods	14,308	71,949	68,920	17,337
Total middle schools	<u>122,185</u>	<u>383,183</u>	<u>384,302</u>	<u>121,066</u>
High Schools				
Port Huron High	218,369	621,952	637,415	202,906
Port Huron Northern	241,923	699,795	675,028	266,690
Total high schools	<u>460,292</u>	<u>1,321,747</u>	<u>1,312,443</u>	<u>469,596</u>
Other				
Harrison Center (formerly Grant Adult Ed)	36,897	87,668	89,504	35,061
Total	<u>\$ 812,823</u>	<u>\$ 2,218,679</u>	<u>\$ 2,221,944</u>	<u>\$ 809,558</u>

**Statistical Section and Other Information
(Unaudited)**

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Port Huron Area School District

Description of Statistical Section

This part of the School District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the School District’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District’s financial performance and well-being have changed over time.	75-82
Revenue Capacity These schedules contain information to help the reader assess the School District’s most significant local revenue source, the property tax.	83-88
Debt Capacity These schedules present information to help the reader assess the affordability of the School District’s current levels of outstanding debt and the School District’s ability to issue additional debt in the future.	89-91
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District’s financial activities take place.	92-94
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the School District’s financial report relates to the services the School District provides and the activities it performs.	95-103

Port Huron Area School District

	2012	2011	2010	2009
Expenses				
Instruction	\$ 63,082,798	\$ 66,796,068	\$ 69,199,983	\$ 68,691,711
Support services	29,124,558	30,484,365	33,827,833	34,990,669
Athletics	980,485	831,933	83,499	91,490
Food services	3,536,286	3,167,815	3,314,933	3,471,759
Community services	323,853	549,299	394,997	119,473
Interest on long-term debt	1,684,348	1,296,813	1,090,234	1,090,992
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total primary government - Governmental activities	<u>\$ 98,732,328</u>	<u>\$ 103,126,293</u>	<u>\$ 107,911,479</u>	<u>\$ 108,456,094</u>
Program Revenue				
Charges for services:				
Instruction	\$ 203,568	\$ 48,087	\$ 43,752	\$ 55,522
Athletics	191,932	213,783	83,370	107,713
Food services	484,276	625,639	709,593	788,920
Community services	833,229	1,310,799	1,122,504	1,531,943
Operating grants/Contributions	23,341,629	26,448,060	27,066,368	28,329,803
Capital grants/Contributions	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total primary government- Program revenue	<u>\$ 25,054,634</u>	<u>\$ 28,646,368</u>	<u>\$ 29,025,587</u>	<u>\$ 30,813,901</u>
Net (Expense) Revenue and Changes in Net Assets	<u>\$ (73,677,694)</u>	<u>\$ (74,479,925)</u>	<u>\$ (78,885,892)</u>	<u>\$ (77,642,193)</u>
General Revenue				
Taxes:				
Property taxes - General purpose	\$ 11,803,325	\$ 12,465,221	\$ 12,802,737	\$ 12,191,668
Property taxes - Debt purpose	4,447,786	3,766,740	4,080,089	4,073,321
Unrestricted state aid	53,571,085	56,157,152	55,044,752	57,790,490
Federal sources - Unrestricted	169,456	3,446,551	2,979,903	-
Interest and investment earnings	84,546	55,455	91,011	476,400
Loss on the sale of capital assets	-	-	(1,324,893)	-
Other	164,735	125,465	446,557	254,941
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total primary government- General revenue	<u>\$ 70,240,933</u>	<u>\$ 76,016,584</u>	<u>\$ 74,120,156</u>	<u>\$ 74,786,820</u>
Change in Governmental Net Assets	<u>\$ (3,436,761)</u>	<u>\$ 1,536,659</u>	<u>\$ (4,765,736)</u>	<u>\$ (2,855,373)</u>

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2004 through 2012

**Governmental Funds
Change in Governmental Net Assets
Last Ten Fiscal Years
For the Years Ended June 30**

2008	2007	2006	2005	2004	2003
\$ 67,622,839	\$ 65,559,767	\$ 63,288,521	\$ 60,451,704	\$ 66,184,115	\$ 60,860,039
35,349,335	33,206,986	35,250,769	34,213,107	33,843,321	31,231,467
100,346	95,657	89,303	102,104	95,491	97,642
3,129,557	3,016,628	3,078,504	2,990,405	2,915,942	2,678,867
158,503	61,518	561,984	546,006	486,477	499,630
2,462,042	2,233,763	2,747,021	2,649,289	2,415,557	1,977,595
\$ 108,822,622	\$ 104,174,319	\$ 105,016,102	\$ 100,952,615	\$ 105,940,903	\$ 97,345,240
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
77,442	78,821	82,925	90,143	61,379	54,108
832,879	917,410	969,610	991,152	1,023,584	998,887
1,339,489	1,108,348	1,057,158	962,699	387,035	554,924
21,920,352	22,159,035	19,469,239	17,715,962	17,472,747	17,079,048
-	7,733	25,145	3,959	8,767	1,250,374
\$ 24,170,162	\$ 24,271,347	\$ 21,604,077	\$ 19,763,915	\$ 18,953,512	\$ 19,937,341
\$ (84,652,460)	\$ (79,902,972)	\$ (83,412,025)	\$ (81,188,700)	\$ (86,987,391)	\$ (77,407,899)
\$ 13,911,425	\$ 12,997,809	\$ 12,870,517	\$ 11,859,919	\$ 11,547,971	\$ 10,970,775
4,006,101	3,757,672	3,604,957	3,435,281	3,272,087	3,177,984
61,453,280	63,781,144	67,499,615	66,803,558	67,342,676	70,091,971
-	-	-	-	-	-
1,257,078	1,641,761	1,341,298	663,857	404,319	553,302
-	-	-	-	-	-
2,255,798	(13,906)	57,737	(30,976)	35,304	192,171
\$ 82,883,682	\$ 82,164,480	\$ 85,374,124	\$ 82,731,639	\$ 82,602,357	\$ 84,986,203
\$ (1,768,778)	\$ 2,261,508	\$ 1,962,099	\$ 1,542,939	\$ (4,385,034)	\$ 7,578,304

Port Huron Area School District

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund				
Pre GASB 54:				
Reserved	\$ -	\$ -	\$ 681,245	\$ 401,761
Unreserved	-	-	10,492,716	15,985,715
Post GASB 54:				
Nonspendable	1,085,568	101,660	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	4,876,672	6,081,000	-	-
Unassigned	<u>4,477,697</u>	<u>5,648,005</u>	-	-
Total General Fund	<u>\$ 10,439,937</u>	<u>\$ 11,830,665</u>	<u>\$ 11,173,961</u>	<u>\$ 16,387,476</u>
All Other Governmental Funds				
Pre GASB 54:				
Reserved	\$ -	\$ -	\$ 2,487,949	\$ 2,182,762
Unreserved, reported in:				
Special Revenue Fund	-	-	1,560,678	1,428,433
Capital Projects Fund	-	-	3,461,344	2,822,361
Debt Service Fund	-	-	-	-
Post GASB 54:				
Nonspendable	21,815	19,734	-	-
Restricted	17,688,702	25,412,917	-	-
Committed	-	-	-	-
Assigned	3,421,317	2,847,658	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 21,131,834</u>	<u>\$ 28,280,309</u>	<u>\$ 7,509,971</u>	<u>\$ 6,433,556</u>

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2003 through 2012

**Governmental Funds
Fund Balances
Last Ten Fiscal Years**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 608,060	\$ 2,950,314	\$ 1,717,769	\$ 1,794,132	\$ 1,796,249	\$ 1,681,968
19,450,495	20,603,114	19,857,092	18,068,457	18,152,442	24,788,833
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 20,058,555	\$ 23,553,428	\$ 21,574,861	\$ 19,862,589	\$ 19,948,691	\$ 26,470,801
\$ 1,403,209	\$ 2,930,792	\$ 4,679,298	\$ 5,411,797	\$ 17,150,855	\$ 25,547,884
1,425,672	1,582,047	1,543,288	1,649,487	1,633,040	1,575,039
3,977,631	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 6,806,512	\$ 4,512,839	\$ 6,222,586	\$ 7,061,284	\$ 18,783,895	\$ 27,122,923

Port Huron Area School District

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue				
Local sources	\$ 18,345,627	\$ 18,737,048	\$ 19,590,870	\$ 19,564,785
State sources	62,025,886	64,637,166	64,850,209	67,569,388
Federal sources	11,438,478	17,481,638	16,730,917	14,630,129
Interdistrict sources	<u>3,452,602</u>	<u>3,777,618</u>	<u>3,346,168</u>	<u>3,911,514</u>
Total revenue	95,262,593	104,633,470	104,518,164	105,675,816
Expenditures				
Instruction	62,659,525	66,336,174	68,114,803	67,779,406
Support services	27,563,845	29,954,989	32,993,790	34,376,988
Athletics	980,485	831,933	83,499	91,490
Community services	323,853	549,299	394,997	119,473
Food service	3,493,987	3,141,120	3,259,305	3,443,972
Debt service:				
Principal	3,014,553	3,036,175	3,232,630	3,025,530
Interest	1,582,386	897,144	1,104,066	1,100,672
Other	15,628	86,116	975	5,298
Capital outlay	<u>8,326,039</u>	<u>1,027,814</u>	<u>804,331</u>	<u>719,627</u>
Total expenditures	<u>107,960,301</u>	<u>105,860,764</u>	<u>109,988,396</u>	<u>110,662,456</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(12,697,708)	(1,227,294)	(5,470,232)	(4,986,640)
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	3,257,393	-	1,118,840	-
Transfers in	3,766,343	214,292	351,238	1,438,744
Transfers out	(2,865,231)	-	(136,946)	(496,137)
Proceeds from issuance of debt	-	25,300,000	-	-
Payment to refunded bond escrow agent	-	(3,333,951)	-	-
Premium on debt issued	-	473,995	-	-
Total other financing sources (uses)	<u>4,158,505</u>	<u>22,654,336</u>	<u>1,333,132</u>	<u>942,607</u>
Net Change in Fund Balances	(8,539,203)	21,427,042	(4,137,100)	(4,044,033)
Fund Balance - Beginning of the year	<u>40,110,974</u>	<u>18,683,932</u>	<u>22,821,032</u>	<u>26,865,067</u>
Fund Balance - End of the year	<u>\$ 31,571,771</u>	<u>\$ 40,110,974</u>	<u>\$ 18,683,932</u>	<u>\$ 22,821,034</u>
Debt service as a percentage of noncapital expenditures	4.63%	3.83%	3.97%	3.76%

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2003 through 2012

**Governmental Funds
Changes in Fund Balances
Last Ten Fiscal Years**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	21,542,657	\$ 20,736,452	\$ 19,756,935	\$ 18,037,772	\$ 17,055,111	\$ 17,125,354
	70,586,385	73,629,621	74,291,150	71,658,375	72,558,783	75,222,705
	9,839,072	9,701,668	9,925,416	10,424,238	9,902,043	9,187,642
	<u>2,948,175</u>	<u>2,608,890</u>	<u>2,752,288</u>	<u>2,436,907</u>	<u>2,354,597</u>	<u>2,760,672</u>
	104,916,289	106,676,631	106,725,789	102,557,292	101,870,534	104,296,373
	66,613,957	64,488,677	62,346,450	60,645,880	65,442,846	59,025,349
	34,817,930	33,129,991	34,737,762	33,694,309	33,171,004	30,505,150
	100,346	95,657	89,303	102,104	95,491	97,642
	158,503	61,517	561,984	546,006	486,477	499,630
	3,108,611	2,990,714	3,053,767	2,975,252	2,903,379	2,657,492
	1,266,943	1,202,569	1,839,215	1,204,594	1,213,327	1,464,280
	2,519,805	2,459,065	2,812,892	2,324,596	2,717,150	1,478,680
	3,180	803,905	1,335	1,260	1,401	1,060
	<u>303,282</u>	<u>2,376,087</u>	<u>964,879</u>	<u>13,073,723</u>	<u>10,518,311</u>	<u>2,318,784</u>
	108,892,557	107,608,182	106,407,587	114,567,724	116,549,386	98,048,067
	(3,976,268)	(931,551)	318,202	(12,010,432)	(14,678,852)	6,248,306
	2,215,000	-	-	-	-	-
	2,818,002	1,042,038	659,856	1,672,164	2,229,725	2,330,400
	(2,257,934)	(486,667)	(104,484)	(1,286,450)	(2,412,011)	(2,410,298)
	-	9,895,000	-	6,030,000	-	22,105,000
	-	(9,250,000)	-	(6,213,995)	-	(6,690,000)
	-	-	-	-	-	832,511
	<u>2,775,068</u>	<u>1,200,371</u>	<u>555,372</u>	<u>201,719</u>	<u>(182,286)</u>	<u>16,167,613</u>
	(1,201,200)	268,820	873,574	(11,808,713)	(14,861,138)	22,415,919
	28,066,267	27,797,447	26,923,873	38,732,586	53,593,724	31,177,805
\$	<u>26,865,067</u>	<u>28,066,267</u>	<u>27,797,447</u>	<u>26,923,873</u>	<u>38,732,586</u>	<u>53,593,724</u>
	3.49%	4.24%	4.41%	3.48%	3.71%	3.08%

Port Huron Area School District

	<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>
Net Assets							
Investment in capital assets - Net of related debt	\$ 40,672,979	\$	41,575,918	\$	38,932,482	\$	37,979,587
Restricted:							
Debt service	1,459,327		1,603,041		1,959,794		1,584,114
Food service	1,398,158		1,058,746		-		-
Capital projects	48,553		-		-		-
Unrestricted	<u>14,757,453</u>		<u>17,535,526</u>		<u>19,344,296</u>		<u>25,438,607</u>
Total net assets	<u>\$ 58,336,470</u>	\$	<u>61,773,231</u>	\$	<u>60,236,572</u>	\$	<u>65,002,308</u>

Source: Port Huron Area School District
 Comprehensive Annual Financial Reports
 2003 through 2012

**Governmental Funds
Net Assets by Component
Last Ten Fiscal Years
Years Ended June 30**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 36,294,599	\$ 35,775,316	\$ 33,918,660	\$ 33,048,951	\$ 30,094,939	\$ 26,384,656
1,371,031	1,024,228	834,320	792,785	996,008	1,125,129
-	-	-	-	-	-
-	136	149,674	346,027	693,645	1,042,727
<u>30,192,053</u>	<u>32,826,781</u>	<u>32,360,421</u>	<u>31,113,213</u>	<u>31,973,445</u>	<u>39,590,559</u>
<u>\$ 67,857,683</u>	<u>\$ 69,626,461</u>	<u>\$ 67,263,075</u>	<u>\$ 65,300,976</u>	<u>\$ 63,758,037</u>	<u>\$ 68,143,071</u>

Port Huron Area School District

Tax Year Ended Dec. 31	Agricultural Property	Commercial Property	Industrial and Developmental Property	Residential Property	Personal Property
2011	\$ 28,844,851	\$ 333,768,636	\$ 54,510,270	\$ 1,142,128,618	\$ 194,552,146
2010	29,485,328	354,620,544	60,947,412	1,217,287,531	188,466,256
2009	29,540,749	371,436,661	66,426,990	1,275,967,181	190,812,711
2008	22,911,290	368,873,579	67,491,639	1,405,749,127	175,527,579
2007	25,359,626	363,608,346	62,433,633	1,432,198,083	178,106,823
2006	27,443,012	350,887,986	60,584,087	1,399,450,249	185,259,983
2005	24,044,776	335,643,086	59,897,456	1,328,403,927	179,386,608
2004	28,418,500	294,905,789	57,177,685	1,175,978,128	176,755,057
2003	27,420,140	284,249,709	56,986,759	1,111,278,156	176,129,519
2002	27,017,840	269,196,598	52,984,645	1,058,049,406	182,852,852

Source: St. Clair County Equalization Department

Note: Since passage of Proposal A in 1994, school districts may only collect direct tax on non-principal residence properties.

- (1) Estimated actual value is determined by multiplying State Equalized Value by 2, as SEV is 50% of actual valuation.
- (2) Direct rate includes 18 mills for general operating and 2 mills for debt service.
- (3) Direct rate includes 18 mills for general operating and 2.5 mills for debt service.

**Ten-year Schedule of Assessed and Actual Value of Taxable Property
(Unaudited)**

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Value (1)</u>	<u>Assessed Value as a % of Actual Value</u>	<u>Principal Residence</u>	<u>Non-Principal Residence</u>
\$ 1,753,804,521	20.500 (3)	\$ 3,758,125,428	46.67%	\$ 1,116,059,583	\$ 637,744,938
1,850,807,071	20.000 (2)	4,008,306,178	46.17%	1,176,008,031	674,799,040
1,934,184,292	20.000 (2)	4,239,522,224	45.62%	1,232,700,870	701,483,422
2,040,553,214	20.000 (2)	4,596,513,166	44.39%	1,324,170,661	716,382,553
2,061,706,511	20.000 (2)	4,907,422,044	42.01%	1,359,934,207	701,772,304
2,023,625,317	20.000 (2)	5,002,456,814	40.45%	1,202,259,831	821,365,486
1,927,375,853	20.000 (2)	4,695,538,512	41.05%	1,131,969,407	795,406,446
1,733,235,159	20.000 (2)	4,244,209,136	40.84%	1,026,436,075	706,799,084
1,656,064,283	20.000 (2)	4,061,089,346	40.78%	970,734,692	685,329,591
1,590,101,341	20.000 (2)	3,865,753,818	41.13%	922,958,032	667,143,309

Port Huron Area School District

Fiscal Year Ended June 30	Tax Year	Port Huron Area Public Schools		City of Port Huron	St. Clair County Regional Educational Service Agency
2003	2002	26.0000	(1)	16.7103	3.4468
2004	2003	25.0000	(2)	16.7043	0.0000
2005	2004	26.0000	(1)	16.7163	3.4468
2006	2005	26.0000	(1)	16.7163	3.4463
2007	2006	26.0000	(1)	16.7114	3.4296
2008	2007	26.0000	(1)	16.7083	3.4296
2009	2008	26.0000	(1)	16.7083	3.4296
2010	2009	26.0000	(1)	16.7083	3.4296
2011	2010	26.0000	(1)	16.7083	3.4296
2012	2011	26.5000	(3)	16.7083	3.4296

NOTE: City of Port Huron rates are used in this schedule because their portion of the School District's assessed valuation is the largest.

- (1) Includes 6 mills State Education Tax (SET), 18 mills levied on non-homestead property, 0 mills on primary residence property, and the 2 mill Debt Tax levy on all taxable property.
- (2) For Tax Year 2003 only: 5 mills State Education Tax (SET), 18 mills levied on non-principal residence property, 0 mills on principal residence property and 2 mills Debt Tax levy on all taxable property.
- (3) Beginning Tax Year 2011: Includes 6 mills State Education Tax (SET), 18 mills levied on non-homestead property, 0 mills on primary residence property, and 2.5 mills Debt Tax levy on all taxable property.

Source: 2011 Apportionment Report - St. Clair County Equalization Department

**Ten-year Summary of Property Tax Rates
All Direct and Overlapping Governments
(Rates per \$1,000 of Assessed Value)
Unaudited**

St. Clair County Operating Levy	St. Clair County Community College	Total	Various Townships
7.1048	1.8891	55.1510	.7719 to 7.2604
7.1048	1.8891	50.6983	.7610 to 7.2351
7.1048	1.8891	55.1570	.7467 to 6.5374
7.1018	1.8891	55.1535	.7306 to 6.3485
7.3022	1.8891	55.3323	.7168 to 6.2954
7.3022	1.8891	55.3292	.7634 to 6.2668
7.3022	1.8891	55.3292	.7599 to 6.0980
7.3022	1.8891	55.3292	.7599 to 6.1160
7.3022	1.8891	55.3292	.7599 to 7.1820
7.4022	1.8891	55.9292	.7599 to 4.3518

Port Huron Area School District

Principal Property Taxpayers (Unaudited) June 30, 2012

	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Largest City of Port Huron Property Taxpayers:						
Domtar Industries	\$ 11,331,300	1	0.65%	\$ -	-	-
Mueller Brass Company	9,417,500	2	0.54%	20,593,300	2	1.30%
Detroit Edison Co	9,237,100	3	0.53%	12,819,600	3	0.81%
Acheson Ventures LLC	6,499,200	4	0.37%	-	-	-
Caterpillar, Inc	5,629,700	5	0.32%	-	-	-
Semco Energy Gas Co	4,583,200	6	0.26%	-	-	-
E B Eddy Paper, Inc	4,050,100	7	0.22%	23,417,600	1	1.47%
SMW Automotive	3,252,300	8	0.19%	-	-	-
Dunn Paper, Inc	2,824,900	9	0.16%	-	-	-
Metalor Technologies USA Corp	2,622,400	10	0.15%	-	-	-
Royal Oak Boring				6,891,950	8	0.43%
Acheson Industries				10,156,400	4	0.64%
Crown Paper Company				9,922,050	5	0.62%
Textron Auto/Davidson Trim				6,893,750	7	0.43%
Petri, Inc				6,037,800	9	0.38%
Lear Corporation				7,266,300	6	0.46%
LDM Technologies				5,960,350	10	0.37%
Total	\$ 59,447,700		3.39%	\$ 109,959,100		6.91%

Source: City of Port Huron

Port Huron Area School District

Operating Property Tax Levies and Collections (Unaudited) Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 11,190,995	\$ 11,190,995	100.00%	\$ -	\$ 11,190,995	100.00%
2004	11,547,971	11,272,940	97.62%	274,579	11,547,519	100.00%
2005	11,990,304	11,890,681	99.17%	99,623	11,990,304	100.00%
2006	12,835,195	12,627,518	98.38%	207,677	12,835,195	100.00%
2007	13,176,369	13,122,829	99.59%	53,540	13,176,369	100.00%
2008	14,060,263	14,029,668	99.78%	30,595	14,060,263	100.00%
2009	12,298,738	12,191,668	99.13%	107,070	12,298,738	100.00%
2010	12,870,129	12,850,265	99.85%	19,864	12,870,129	100.00%
2011	12,593,364	12,435,741	98.75%	98,932	12,534,673	99.53%
2012	12,001,188	11,869,283	98.90%	N/A	11,869,283	98.90%

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2003 through 2012

Port Huron Area School District

Ten-year Comparison of the Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita (Unaudited)

Fiscal Year Ended June 30	Ten-Year Schedule		Percent of Bonded Debt to State Equalized Valuation	Estimated	
	Bonded Debt	State Equalized Valuation		Population	Per Capita Debt
2003	\$ 33,618,874	\$ 1,932,876,909	1.74%	75,011 (1)	\$ 448
2004	32,405,547	2,030,544,673	1.60%	75,011 (1)	432
2005	31,380,953	2,122,104,568	1.48%	69,845 (2)	449
2006	29,541,737	2,347,769,256	1.26%	71,197 (2)	415
2007	28,984,168	2,501,228,407	1.16%	71,215 (2)	407
2008	27,717,225	2,453,711,022	1.13%	71,215 (2)	389
2009	24,691,695	2,298,256,583	1.07%	72,329 (3)	341
2010	21,459,065	2,122,484,112	1.01%	69,622 (4)	308
2011	40,417,890	2,004,153,089	2.02%	69,082 (4)	585
2012	37,403,337	1,879,062,714	1.99%	68,586 (4)	545

(1) U.S. Census data received through the City of Port Huron

(2) School Matters, Service of Standard & Poor's

(3) School Data Direct

(4) U.S. census data received through Michigan Department of Education

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2003 through 2012

Port Huron Area School District

Direct and Overlapping Governmental Activities Debt (Unaudited) June 30, 2012

Direct Debt - General Obligations \$ 37,403,337

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Direct and Overlapping Debt</u>
St. Clair County	\$ 51,886,872	31.84%	\$ 16,520,780
St. Clair County Community College	3,275,000	34.09%	1,116,448
St. Clair RESA	3,235,000	33.82%	1,094,077
Burtchville Township	2,465,000	70.82%	1,745,713
Clyde Township	60,000	87.68%	52,608
Fort Gratiot Township	905,000	100.00%	905,000
Kimball Township	2,469,240	75.08%	1,853,906
Port Huron Township	3,880,240	100.00%	3,880,240
City of Port Huron	79,271,063	100.00%	79,271,063
Total Overlapping Debt			<u>106,439,835</u>
Total Direct and Overlapping Debt			<u><u>\$ 143,843,172</u></u>

	<u>Per Capita Debt</u>	<u>Percentage of Debt to Per Capita Income</u>	<u>Percentage of Debt to State Equalized Value</u>
Net Direct and Overlapping Debt	\$ 2,097	8.57%	8.20%

Source: Municipal Advisory Council of Michigan

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Port Huron Area School District

Legal Debt Margin (Unaudited) Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2012

State Equalized Value	\$	1,879,062,714
Bonding Limit (15% of SEV)		281,859,407
General Obligation Bonds Outstanding		-
Legal Debt Margin	\$	<u><u>281,859,407</u></u>

<u>Fiscal Year Ended June 30</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Net Debt as Percentage of Debt Limit</u>
2003	\$ 289,931,536	\$ 2,921,086	\$ 287,010,450	1.01%
2004	304,581,701	2,287,759	302,293,942	0.75%
2005	318,315,685	1,678,165	316,637,520	0.53%
2006	352,165,388	1,094,512	351,070,876	0.31%
2007	306,082,982	536,943	305,546,039	0.18%
2008	368,056,653	-	368,056,653	0.00%
2009	344,738,487	-	344,738,487	0.00%
2010	318,372,617	-	318,372,617	0.00%
2011	300,622,963	-	300,622,963	0.00%
2012	281,859,407	-	281,859,407	0.00%

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2003 through 2012

Port Huron Area School District

Building Construction in the City of Port Huron:

<u>Fiscal Year</u>	<u>Permits</u>	<u>Estimated Value of Construction</u>
2003	663	\$ 6,919,660
2004	725	7,226,335
2005	875	10,130,441
2006	786	7,773,012
2007	634	24,808,105
2008	679	13,025,045
2009	525	11,591,953
2010	612	14,443,663
2011	722	6,361,997
2012	599	12,083,744

Source: City of Port Huron Finance Department

Bank Deposits:

The following banks are located within the School District's boundaries.
Dollars are reported in thousands.

<u>Bank</u>	<u>Main Office</u>	<u>Total State-Wide Deposits</u>
JP Morgan Chase Bank, N.A.	Columbus, OH	N/A
Fifth Third Bank	Cincinnati, OH	N/A
Talmer Bank and Trust	Troy, MI	\$ 1,818,855
Eastern Michigan Bank	Croswell, MI	\$ 231,856
Bank of America, N.A.	Charlotte, N.C.	N/A
TCF National Bank	Wayzata, MN	N/A
Seaway Community Bank	St. Clair, MI	\$ 143,917

Source: FDIC Report UBPR for period ended June 30, 2012

Demographic and Economic Statistics (Unaudited)
June 30, 2012

Population, Income, and Unemployment Information
Last Ten Calendar Years - St. Clair County*

Calendar Year	Population	Personal Income	Per Capita Income	Unemployment Rate
2002	167,712	\$ 4,702,627	\$ 28,102	7.8%
2003	170,572	4,912,828	29,005	9.2%
2004	171,661	4,955,516	29,017	9.4%
2005	172,546	5,119,100	29,922	7.6%
2006	172,866	5,171,399	30,845	8.4%
2007	174,954	5,358,337	30,942	9.1%
2008	171,017	5,419,462	31,956	10.4%
2009	166,842	5,290,584	31,574	17.5%
2010	163,040	5,200,174	31,956	14.9%
2011	162,569	5,200,174	24,481	13.1%

* 2011 St. Clair County Comprehensive Annual Financial Report

Bold - Data was not available at time of publication, so previous year data was used.

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Port Huron Area School District

Principal Employers, Current and Nine Years Ago (Unaudited) June 30, 2012

Largest Employers - St. Clair County

<u>Name²</u>	<u>Industry²</u>	<u>2011</u>			<u>2002²</u>		
		<u>Employees²</u>	<u>Rank</u>	<u>%</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Port Huron Hospital ¹	Health Care	1,750	1	2.87%	1,057	2	1.58%
Port Huron Area Schools ¹	Education	1,111	2	1.82%	1,462	1	2.19%
St. Clair County ¹	Government	988	3	1.62%	832	5	1.25%
DTE Energy ¹	Public Utility	915	4	1.50%	1,044	3	1.56%
Mercy Hospital ¹	Health Care	770	5	1.26%	693	6	1.04%
Meijer	Grocery/Retail	650	6	1.07%	N/A	N/A	N/A
East China School District	Education	600	7	0.98%	594	8	0.89%
AT&T	Public Utility	500	8	0.82%	459	10	0.69%
St. John River District Hospital	Health Care	450	9	0.74%	N/A	N/A	N/A
SMR (formerly Visiocorp USA)	Manufacturer	425	10	0.70%	N/A	N/A	N/A
Bundy Corporation	Motor Vehicle Parts	N/A	N/A	N/A	620	7	0.93%
K-Mart Corporation	Grocery/Retail	N/A	N/A	N/A	850	4	1.27%
Britax Rainsford	Glass Products	N/A	N/A	N/A	591	9	0.88%
	County employment ²	60,975					

¹ Located within the school district

² 2011 St. Clair County Comprehensive Annual Financial Report

Port Huron Area School District

	2003	2004	2005	2006
Supervisory				
Instructional administrators/supervisors	17	15	15	15
Noninstructional administrators	13	14	14	14
Principals	21	21	21	21
Assistant principals	13	14	11	11
Total supervisory	64	64	61	61
Instruction				
Elementary classroom teachers	329	329	315	305
Middle school classroom teachers	138	137	116	103
Secondary classroom teachers	147	145	138	123
Special Education/Added Needs	115	116	113	115
Other teachers (adult)	9	8	8	7
Aides	130	134	140	141
Total instruction	868	869	830	794
Student Services				
Guidance counselors	20	20	19	18
Psychologists/social workers	18	18	16	15
Librarians	9	9	7	5
Other professionals (noninstructional)	12	12	11	11
Technicians	7	8	6	7
Total student services	66	67	59	56
Support and Administration				
Clerical/secretarial	87	88	84	81
Service workers	6	8	8	8
Skilled crafts	6	6	5	6
Custodians	102	101	99	95
Transportation	84	77	80	79
Food service	43	74	71	66
Total support and administration	328	354	347	335
Total	1,326	1,354	1,297	1,246
Fall Student Enrollment	12,202	11,971	11,788	11,560

Note: Full-time equivalent employment for all positions is determined based on 1,020 hours per year (170 school days times six hours per day)

Source: Port Huron Area School District Staff Status Report

Full-time Equivalent School District Employees by Type (Unaudited) Last Ten Fiscal Years

2007	2008	2009	2010	2011	2012	Percentage Change 2003-2012
13	13	13	11	11	10	-41.18%
11	9	9	9	9	7	-46.15%
21	21	20	18	17	17	-19.05%
8	8	9	9	10	10	-23.08%
53	51	51	47	47	44	-31.25%
309	289	290	281	241	269	-18.24%
104	103	107	104	98	96	-30.43%
122	120	119	114	104	106	-27.89%
114	117	121	111	106	107	-6.96%
7	8	12	6	6	6	-33.33%
141	141	140	107	114	110	-15.38%
797	778	789	723	669	694	-20.05%
16	16	16	16	15	14	-30.00%
15	16	15	14	5	5	-72.22%
5	5	5	5	4	4	-55.56%
10	13	6	5	5	3	-75.00%
8	8	9	9	10	10	42.86%
54	58	51	49	39	36	-45.45%
78	78	75	73	64	63	-27.59%
11	11	9	8	11	13	116.67%
7	7	8	8	7	7	16.67%
92	88	89	83	49	51	-50.00%
80	78	76	62	61	-	-100.00%
56	66	65	71	65	74	72.09%
324	328	322	305	257	208	-36.59%
1,228	1,215	1,213	1,124	1,012	982	-25.94%
11,242	10,889	10,588	10,316	9,921	9,820	-19.52%

Port Huron Area School District

School Building Information (Unaudited) Last Ten Fiscal Years

<u>Schools</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Elementary										
Cleveland										
Square Footage	52,911	52,911	52,911	52,911	52,911	52,911	52,911	52,911	52,911	52,911
Capacity	360	360	360	360	360	360	360	360	360	360
Enrollment	268	241	257	259	244	222	222	226	211	254
Howard D. Crull/McKinley										
Square Footage	79,179	79,179	79,179	79,179	79,179	79,179	79,179	79,179	79,179	79,179
Capacity	780	780	780	780	780	780	780	780	780	780
Enrollment	687	661	702	680	660	632	618	573	511	471
Thomas Edison										
Square Footage	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800	45,800
Capacity	580	580	580	580	580	580	580	580	580	580
Enrollment	418	412	424	451	446	444	429	420	427	450
Garfield										
Square Footage	68,853	68,853	68,853	68,853	68,853	68,853	68,853	68,853	68,853	68,853
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	414	397	414	416	392	430	453	478	487	493
Harrison¹										
Square Footage	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186	62,186
Capacity	480	480	480	480	480	480	480	480	480	480
Enrollment	328	331	283	314	324	310	302	-	195	195
Indian Woods										
Square Footage	44,656	44,656	44,656	44,656	44,656	44,656	44,656	44,656	44,656	44,656
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	377	373	382	386	386	372	376	396	378	376
Keewahdin										
Square Footage	44,860	44,860	44,860	44,860	44,860	44,860	44,860	44,860	44,860	44,860
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	442	415	432	418	417	403	431	441	430	454
Kimball										
Square Footage	46,085	46,085	46,085	46,085	46,085	46,085	46,085	46,085	46,085	46,085
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	286	279	263	259	245	221	196	433	392	395
Lakeport										
Square Footage	35,863	35,863	35,863	35,863	35,863	35,863	35,863	35,863	35,863	35,863
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	302	291	284	264	271	274	272	266	238	245
Michigamme										
Square Footage	47,727	47,727	47,727	47,727	47,727	47,727	47,727	47,727	47,727	47,727
Capacity	620	620	620	620	620	620	620	620	620	620
Enrollment	501	509	503	526	511	481	440	462	496	450
Roosevelt										
Square Footage	49,020	49,020	49,020	49,020	49,020	49,020	49,020	49,020	49,020	49,020
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	464	446	437	433	431	396	377	522	517	529

Source: Port Huron Area School District records

¹Closed as elementary in 2008-09, reopened as alternative education in 2010-11

Port Huron Area School District

School Building Information (Continued) (Unaudited) Last Ten Fiscal Years

Schools	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Elementary - Cont'd.										
Sparlingville³										
Square Footage	39,761	39,761	39,761	39,761	39,761	39,761	39,761	-	-	-
Capacity	400	400	400	400	400	400	400	-	-	-
Enrollment	379	376	364	366	325	329	296	-	-	-
Woodrow Wilson										
Square Footage	70,679	70,679	70,679	70,679	70,679	70,679	70,679	70,679	70,679	70,679
Capacity	660	660	660	660	660	660	660	660	660	660
Enrollment	456	455	442	409	387	389	361	484	474	475
Middle Schools										
Central										
Square Footage	92,913	92,913	92,913	92,913	92,913	92,913	92,913	92,913	92,913	92,913
Capacity	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Enrollment	835	795	733	747	737	676	676	693	960	909
Chippewa⁴										
Square Footage	88,743	88,743	88,743	88,743	88,743	88,743	88,743	88,743	88,743	-
Capacity	725	725	725	725	725	725	725	725	725	-
Enrollment	674	718	674	641	631	606	599	489	-	-
Fort Gratiot										
Square Footage	80,127	80,127	80,127	80,127	80,127	80,127	80,127	80,127	80,127	80,127
Capacity	825	825	825	825	825	825	825	825	825	825
Enrollment	704	717	739	702	654	671	696	670	653	633
Holland Woods										
Square Footage	72,971	72,971	72,971	72,971	72,971	72,971	72,971	72,971	72,971	72,971
Capacity	675	675	675	675	675	675	675	675	675	675
Enrollment	530	520	482	456	450	440	415	425	613	638
High Schools										
Port Huron										
Square Footage	153,144	153,144	153,144	189,167	189,167	189,167	189,167	189,167	189,167	189,167
Capacity	1,860	1,860	1,860	1,920	1,920	1,920	1,920	1,920	1,920	1,920
Enrollment	1,823	1,795	1,795	1,765	1,777	1,715	1,670	1,652	1,524	1,454
Port Huron Northern										
Square Footage	161,142	161,142	161,142	199,968	199,968	199,968	199,968	199,968	199,968	199,968
Capacity	2,100	2,100	2,100	2,160	2,160	2,160	2,160	2,160	2,160	2,160
Enrollment	1,665	1,602	1,586	1,583	1,600	1,586	1,531	1,463	1,377	1,363
Other										
Port Huron South²										
Square Footage	41,041	41,041	41,041	41,041	41,041	41,041	41,041	41,041	41,041	-
Capacity	550	550	550	550	550	550	550	550	550	-
Enrollment	211	179	178	170	164	133	195	191	-	-
Jefferson Adult Ed.³										
Square Footage	25,250	25,250	25,250	25,250	25,250	25,250	25,250	-	-	-
Capacity	375	375	375	375	375	375	375	-	-	-
Enrollment	225	181	223	202	162	195	-	-	-	-

Source: Port Huron Area School District records

²Buildings closed at the end of the 09-10 school year, razed during the 2011-12 school year

³Buildings sold during the 2009-10 school year

⁴Buildings closed at the end of the 09-10 school year, sold during the 2011-12 school year

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Port Huron Area School District

Operating Indicators (Unaudited) Last Ten Fiscal Years

Year Ended June 30	Fall Student Count	General Fund Expenses ¹	Cost Per Pupil	Percentage Change	Pupil Teacher Ratio ²
2003	12,202	\$ 93,068,811	\$ 7,627	5.54%	21
2004	11,971	101,670,357	8,493	11.35%	23
2005	11,788	96,284,646	8,168	-3.83%	22
2006	11,560	97,842,256	8,464	3.62%	23
2007	11,242	98,171,302	8,733	3.17%	23
2008	10,889	103,987,958	9,550	9.36%	23
2009	10,588	102,580,912	9,688	1.45%	23
2010	10,316	101,636,857	9,852	1.69%	24
2011	9,921	97,573,011	9,835	-0.18%	24
2012	9,820	91,443,066	9,312	-5.32%	N/A

Sources: ¹ Port Huron Area School District
Comprehensive Annual Financial Reports
2003 through 2012

² State of Michigan Bulletin 1014 (Information not available for 2011/12)

Port Huron Area School District

Year	Bachelor Minimum	Bachelor Maximum	# of Staff	Bachelor Average Salary	Masters Minimum	Masters Maximum	# of Staff	Masters Average Salary
2003	\$ 30,846	\$ 56,555	219	\$ 40,610	\$ 33,636	\$ 66,325	254	\$ 49,391
2004	31,771	58,252	224	42,167	34,645	63,441	276	49,467
2005	32,406	59,417	208	41,202	35,338	64,710	278	49,627
2006	33,136	60,754	180	44,278	36,133	66,166	274	52,437
2007	33,882	62,121	149	45,831	36,946	67,655	266	54,219
2008	34,644	63,519	139	51,704	37,777	69,177	256	61,594
2009	35,337	64,789	133	53,071	38,533	70,561	241	64,157
2010	36,044	66,085	97	58,342	39,304	71,972	255	66,554
2011	36,044	66,085	88	52,892	39,304	71,972	246	67,460
2012	36,044	66,085	90	52,027	39,304	71,972	237	67,026

Source: District records

**Average Teacher Salaries (Unaudited)
Last Ten Fiscal Years**

Masters +30 Minimum	Masters +30 Maximum	# of Staff	Masters +30 Average Salary	Doctorate Minimum	Doctorate Maximum	# of Staff	Doctorate Average Salary
\$ 39,811	\$ 66,325	218	\$ 61,152	\$ 39,811	\$ 69,672	3	\$ 57,775
36,609	68,315	240	62,455	41,005	71,762	3	61,499
37,341	69,681	238	64,902	41,825	73,197	3	65,037
38,181	71,249	264	65,443	42,766	74,844	3	67,217
38,945	72,852	289	66,997	44,906	76,528	2	63,073
39,918	74,491	313	71,934	44,712	78,250	3	60,743
40,716	75,981	309	73,945	45,606	79,815	3	61,438
41,530	77,501	307	75,723	46,518	81,411	3	68,232
41,530	77,501	267	75,942	46,518	81,411	3	72,491
41,530	77,501	263	75,485	46,518	81,411	3	72,491

Port Huron Area School District

Five-year Schedule of School Lunch Program Information (Unaudited)

	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Charge Per Lunch to Students:					
Regular - Elementary	1.35	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30
Regular - Middle School	1.60	1.50	1.50	1.50	1.50
Regular - High School	1.60	1.55	1.55	1.55	1.55
Reduced	0.40	0.40	0.40	0.40	0.40
Charge Per Lunch to Adults	3.00	2.45	2.45	2.35	2.35
Number of Days Served	174	173	173	169	169
Number of Free Lunches Served	718,810	558,542	603,709	533,753	467,211
Percent of Total Lunches Served	72.48%	62.72%	61.27%	55.39%	51.16%
Average Number of Free Lunches Served Daily	4,131	3,229	3,490	3,158	2,765
Number of Paid Lunches Served at Reduced Price	28,797	53,294	63,081	82,851	86,395
Percent of Total Lunches Served	2.90%	5.98%	6.40%	8.60%	9.46%
Number of Paid Lunches Served at Regular Price	244,072	278,744	318,508	347,044	359,594
Percent of Total Lunches Served	24.61%	31.30%	32.33%	36.01%	39.38%
Average Number of Paid Lunches Served Daily:					
At Reduced Price	166	308	365	490	511
At Regular Price	1,403	1,611	1,841	2,054	2,128
Total Number of Lunches Served	991,679	890,580	985,298	963,648	913,200
Average Number of Lunches Served Daily	5,699	5,148	5,695	5,702	5,404

Source: SM-4012-School Lunch Reimbursement Claim Form

Port Huron Area School District

Five-year Schedule of Pupil Transportation and Graduates (Unaudited)

	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Pupil Transportation ¹					
Estimated Number of Pupils Transported Daily	4,441	4,826	5,150	5,540	5,653
Average Number of Buses in Daily Operation	64	65	70	72	72
Estimated Miles Traveled Transporting Students	912,743	892,080	982,700	1,116,720	1,224,636
High School Graduates					
Day School	560	577	667	693	721
Adult Education ²	243	244	304	298	220

¹ SE-4094 Transportation Expenditure Report

² Includes General Education Development Certificates

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