



PORT HURON AREA SCHOOL DISTRICT

Comprehensive Annual Financial Report

**For The Fiscal Year Ended
June 30, 2013**

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

**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, 2013

BOARD OF EDUCATION

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Report prepared by the Finance Department

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Port Huron Area School District

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Federal Awards Supplemental Information

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October 3, 2013

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 executive director for business. It serves as an introduction to our Comprehensive Annual Financial Report for the fiscal year which ended June 30, 2013. 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 aligns this vision and mission with a multi-tiered system of support in order to provide intervention and enrichment opportunities to our students. Intervention support provided includes Reading Recovery, summer programming, extended day, Intervention Specialists, and 21st Century Community Learning Centers in 13 of our schools. Educational options offered for stretch learning and enrichment include dual enrollment and advanced placement courses for college credit, access to the Blue Water Middle College, extended day, summer programming, a robotics program, a full range of interscholastic and intramural athletic programs, and nationally recognized fine and performing arts programs.

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The Port Huron Area School District uses data driven decision making to provide students with: A rigorous and engaging instruction tailored to ensure academic success, A secure and collaborative learning environment promoting positive relationships, And the ability to adapt and compete in a global economy.

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, for the 2012-13 fiscal year, the School District maintained 11 elementary schools, three middle schools, two high schools, an alternative/adult education site, an operations/transportation facility, and a main administration office, to serve 9,542 students.

The most recent statistics published in June 2013 by the Michigan Department of Education in their 2011-12 Bulletin 1014, ranked the School District as the 22nd largest out of 797 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 \$6,966 in fiscal year 2013, which is \$451 less than in 2009. The PHASD ranks 290th in total General Fund revenue per student of \$9,077, 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 121st in the state for General Fund expenditures per pupil for total instruction, while spending fewer resources on business and administration (733rd) and operations (666th) than most school districts in the state. The table below indicates the School District’s spending priorities and demonstrates to our stakeholders that our limited resources are directed appropriately:

		<u>Per Pupil</u>	<u>State Rank</u>
General fund revenues	-All sources	\$9,077	290 th
General fund expenditures	-Basic programs	4,885	170 th
	-Added needs	1,520	125 th
	-Total instruction	6,431	121 st
	-Instructional support	911	194 th
	-Business & Administration	877	733 rd
	-Operations & maintenance	648	666 th
	-Total expenditures	9,217	280 th
		<u>Amount</u>	<u>State Rank</u>
Salary Information	-Average Teacher Salary	\$70,411	43 rd

Source: Michigan Department of Education 2011-12 Bulletin 1014, revised June 2013

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 68,104 people in 2013. Both residential and commercial building permits remained consistent with the previous year within the City of Port Huron. Building permits issued totaled 600 and 599 units in fiscal years 2013 and 2012, respectively. Of the residential permits issued, one was for new construction while 53 were for demolitions, compared to two and 36 the prior year. The value of construction increased almost 3% over the previous 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 4.9% from 2011 to 2012. 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. The overall economy of the State affects the State's ability to make up the difference through the School Aid Fund.

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 2013-2014 year, the School District projected a blended student count decline of 363 students from the 2012-2013 blended pupil count of 9,559.81. Based on September enrollment data, we expect the actual count to be only slightly better than the projections.

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. At the end of 2012-2013, another elementary was closed, bringing the number of elementary buildings in operation to ten starting with the 2013-2014 school year. The School District continues to maintain 16 school buildings ranging in age from 89 years old to 35 years old, with an average age of 59 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 reaching the end of construction and renovations due to the \$22.8 million bond that was passed in 2011, which addressed facility infrastructure needs to update classrooms, reduce maintenance costs in the short term and reduce energy costs in the long term, as well as improve the classroom learning environment with technology improvements.

While the School District has been concentrating on reducing expenditures over the last several years through consolidation and budget cuts, many costs are difficult to control. About 85.8% of expenditures are employee costs, with an additional 3.6% in contracted people costs. Over the last several years, the School District has contracted with third parties to provide transportation services, substitute staffing and some custodial staffing. Even though most employee groups have gone without increases in the past five years, payroll costs continue to increase due to increases in retirement rates and health insurance. The state retirement benefits have increased significantly, from 16.54% of payroll in 2008-09 to 24.79% in 2013-14, a 50% increase. This is almost 15% of the total budget. Health insurance costs in total dollars have decreased in the last few years due to employee cost sharing and the State has passed legislation requiring districts to only pay costs under a "hard cap", or require employees to pay at least 20%. 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, always focusing the limited resources on the classroom and student achievement.

Accordingly, at the beginning of the 2013-2014 fiscal year, the School District has initiated a planning process to develop a three- to five-year strategic plan. The process has started by involving the community through participation on a Visionary Team. The charge of this team is to create a picture of what the School District should look like in three to five years and brainstorm ideas and suggestions to achieve this future picture. The Visionary Team will present to the District Strategic Planning Team who will review and evaluate the ideas and suggestions based on the impact on instruction, facilities, personnel, and finance to determine areas for emphasis over the next five years. District management will review these recommendations and develop district goals and actions plans to incorporate into the budget planning process in spring 2014.

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 2010-2011 school year, the MDE released Common Core State Standards in English Language Arts (ELA) and math. The Math Committee worked throughout the 2010-2011 school year to align these standards to our Math Expressions materials. All K-5 teachers were trained in the more rigorous standards and new pacing guides were distributed during 2011-2012. After using these guides for over a year, it was determined that some revisions needed to be made to the documents to align them more closely to the math practices we are highlighting. During the 2012-2013 school year, these guides were revised and updated. The instructional shifts needed to meet the demands of the new standards will continue to be an area of professional staff development throughout the upcoming school year. During the 2011-2012 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 received a half-day overview and a full day of professional development during the first semester of the 2012-2013 school year in the more rigorous ELA standards. The new standards in both ELA and math will be fully implemented in the 2013-2014 school year in all K-5 classrooms.

In the area of assessments, we began administering the North West Evaluation Association (NWEA) Measure of Academic Performance to screen K-5 students. These screeners were followed up with progress monitoring to help staff better align their small group instruction to the student needs in reading and math. Common writing assessments were also utilized three times a year in the elementary grades to assist teachers in planning instruction. The use of this data to help inform instruction continues to be a focus at the School District, building and classroom level.

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 grade students.

Secondary instructional staff worked with middle school mathematics and English language arts teachers to study the Common Core State Standards and roll out to the staff, putting it in the larger context of Response to Intervention (RTI) 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 2013-2014 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 two schools on the Persistently Lowest Achieving list: Central Middle School and Holland Woods 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 NWEA's 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 it 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 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 2012-2013 school year, building leadership teams worked with School District and St. Clair County Regional Education Service Agency (RESA) curriculum staff as well as Michigan Department of Education (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 identified 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 Fund. 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 two 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 2013 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. The School District has maintained its stable Standard & Poor's rating of A.

As of June 30, 2013, outstanding general obligation debt of \$34,290,000 was well below the statutory bonding limit of \$263,965,503. Per capita debt totaled \$503 at June 30, 2013.

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 2012-2013, the General Fund investment income totaled \$12,522.

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 2012-2013 fiscal year. The report of our independent certified public accountants, Plante & Moran, PLLC, appears on pages 13 to 15 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, 2013 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, 2012. 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, 2012. 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 29 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

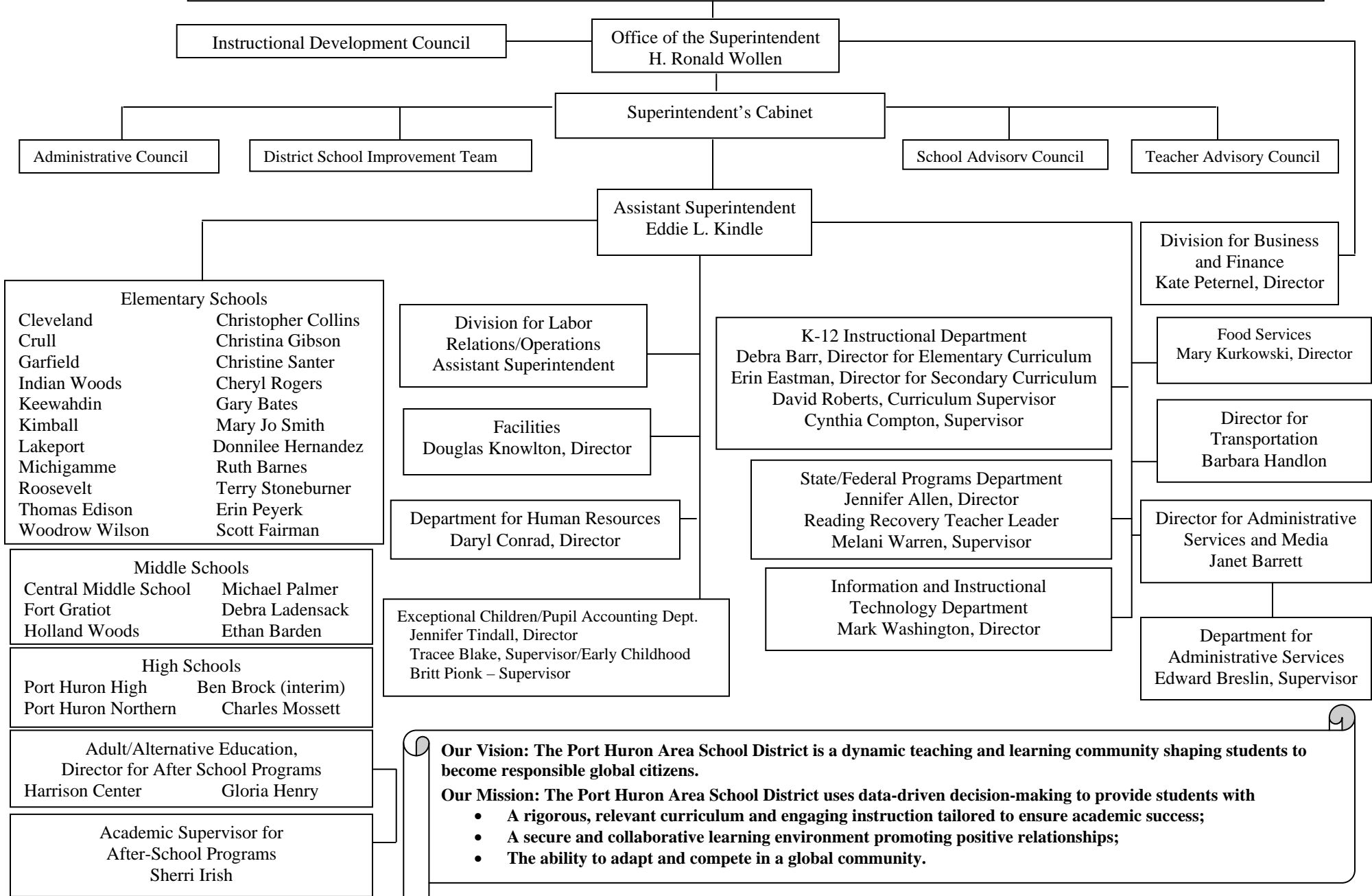


Katherine C. Peternel
Executive Director for Business Services



Port Huron Area School District Organizational Structure

Board of Education: Jeffrey A. Stout, President; Rasha S. Demashkieh, Vice-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



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Port Huron Area School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director



The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

H. Ronald Wollen

Superintendent

Port Huron Area School District, Michigan



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date May 9, 2013

Independent Auditor's Report

To the Board of Education
Port Huron Area School District

Report on the Financial Statements

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 as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Port Huron Area School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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To the Board of Education
Port Huron Area School District

Opinion

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, 2013 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note I to the financial statements, the School District adopted the provisions of GASB Statement Nos. 63 and 65 as of July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund 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.

Other Information

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 other supplemental information, introductory section, and statistical section, 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.

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To the Board of Education
Port Huron Area School District

The other supplemental information, as identified in the table of contents, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section, as identified in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013 on our consideration of Port Huron Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering Port Huron Area School District's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 3, 2013

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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, 2013. 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, the 2011 Capital Projects Fund, and the 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.

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

Port Huron Area School District

Management's Discussion and Analysis (Continued)

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 position 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.

These two statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - 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 position - 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 position 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:

Port Huron Area School District

Management's Discussion and Analysis (Continued)

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 position and the statement of activities) and governmental funds in a reconciliation statement.

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 position and changes in fiduciary net position. 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.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

The School District as a Whole

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

TABLE I	Governmental Activities	
	June 30	
	2013	2012
	(in millions)	
Assets		
Current and other assets	\$ 34.3	\$ 51.6
Capital assets	<u>68.4</u>	<u>61.2</u>
Total assets	102.7	112.8
Deferred Outflows of Resources - Deferred charges on bond refunding	<u>0.3</u>	<u>0.3</u>
Total assets and deferred outflows of resources	103.0	113.1
Liabilities		
Current liabilities	14.8	14.9
Long-term liabilities	<u>36.6</u>	<u>39.9</u>
Total liabilities	<u>51.4</u>	<u>54.8</u>
Net Position		
Net investment in capital assets	36.7	40.7
Restricted	2.8	2.9
Unrestricted	<u>12.1</u>	<u>14.7</u>
Total net position	<u>\$ 51.6</u>	<u>\$ 58.3</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was \$51.6 million at June 30, 2013. Net investment in capital assets of \$36.7 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 position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. The remaining amount of net position (\$12.1 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 \$12.1 million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position 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 position 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 position for fiscal years ended June 30:

TABLE 2

	Governmental Activities	
	Year Ended June 30	
	2013	2012
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.7	\$ 1.7
Operating grants	22.7	23.3
General revenue:		
Property taxes	15.1	16.3
State foundation allowance	53.0	53.6
Interest on investments	0.1	0.1
Federal grants and entitlements	-	0.1
Other	0.7	0.1
Total revenue	<u>93.3</u>	<u>95.2</u>
Functions/Program Expenses		
Instruction	62.6	63.1
Support services	31.0	29.1
Athletics	0.9	1.0
Food services	3.7	3.5
Community services	0.2	0.3
Interest on long-term debt	1.6	1.7
Total functions/program expenses	<u>100.0</u>	<u>98.7</u>
Decrease in Net Position	(6.7)	(3.5)
Net Position - Beginning of year	<u>58.3</u>	<u>61.8</u>
Net Position - End of year	<u><u>\$ 51.6</u></u>	<u><u>\$ 58.3</u></u>

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 \$100.0 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 (\$22.7 million). The School District paid for the remaining "public benefit" portion of our governmental activities with \$15.1 million in taxes, \$53.0 million in State foundation allowance, other revenue, i.e., interest and general entitlements of \$.8 million, and \$6.7 million from net position.

The School District experienced a decrease in net position for the 2012-2013 fiscal year of approximately \$6.7 million. Total revenue decreased from the previous year by \$1.9 million and total expenditures increased \$1.3 million. The key reasons for this change are the net effect of the investment in capital assets offset with the current year depreciation, the payment of principal and interest on bonded debt, and General Fund operating expenditures exceeding revenue.

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.

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.

As the School District completed this year, the governmental funds reported a combined fund balance of \$14.5 million, which is a decrease of approximately \$17.1 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 \$10.4 million to \$4.8 million. Total revenue decreased by \$4.9 million from 2012 to 2013. The State foundation allowance increased \$52 per pupil, offset by a decrease in best practice revenue of \$48 per pupil and a blended count enrollment decline of 258 students (\$1.8 million decrease). At the end of the year, the State allocated additional Michigan Public School Employees' Retirement System (MPERS) retirement offset funds (Section 147c) of just over \$1 million. These funds were considered "flow-through" and the same amount was recorded as an expenditure and remitted to the Office of Retirement Services. Federal and state grants decreased about \$1 million. One-time transfers from the capital projects fund and the internal service funds were decreased by almost \$3 million. Expenditures decreased by approximately \$0.6 million from 2012 to 2013. Total instruction decreased by \$1 million, mainly due to health insurance changes and supporting services increased by approximately \$0.5 million, mainly due to operations increases for utilities and capital outlay for grant funded projects.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

- 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, 2013, \$19.6 million was spent in capital outlay with commitments of \$2.9 million.
- The Capital Projects Fund fund balance of \$3.3 million consists of proceeds from the sale of property in past years.
- The Special Revenue Funds fund balance for 2013 includes only the Food Service Fund with a balance of approximately \$1.6 million, slightly higher than last year. Federal revenue increased by \$.3 million due to increased participation in the federal Community Eligibility Option (CEO) program in which 10 schools qualified and participated in receiving free breakfast and lunch for all students.
- Combined, the debt service funds showed a fund balance decrease of \$0.3 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 2013. Durant debt obligations are funded by annual State appropriation, and the last payment was made in 2013. Debt service funds fund balances are restricted since they can only be used to pay debt service obligations.

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 2013. 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.

Revisions made to the 2012-2013 General Fund original budget were not as significant as in past years due to availability of the state aid budget before budget preparation. 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 \$2.1 million. State sources increased by just over \$1 million due to the addition of the 147c allocation to offset retirement costs. The student performance incentive of \$40 per pupil was included in the original budget but the School District did not meet the criteria to receive it. Additionally, an increase in the projected enrollment count of 67 pupils added approximately \$0.5 million. Increases in state and federal grant award amounts totaled about \$1 million. Budgeted expenditures increased \$1.7 million, mainly consisting of increases corresponding to increased revenue for the retirement offset and state and federal grants. These adjustments were made periodically throughout the year as the funding for grants was secured or estimates changed. Additional changes include increases due to staffing changes offset by decreases due to health insurance changes and the change in the retirement rate from a budgeted amount of 27.37 percent to 25.36 percent and then to 24.32 percent in February 2013.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

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

- Total revenue was under budget by \$2.7 million. Federal and state revenue was under budget mainly due to grants, such as the at-risk grant and various federal grants (Title I, Title II, 21st Century, etc.), which were budgeted at the full amount but were only partially expended with carryover 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, 2013. Additionally, retirement was over-budgeted slightly due to mid-year rate changes and textbooks and supplies were underspent.
- Administration and operational budgets were underspent due to conservative budgeting in these areas and carryover of federal grant dollars for facilities improvement projects.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the School District had \$68.4 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 \$7.2 million, consisting of additions of almost \$15.4 million (mostly bond related), offset by depreciation expense and prior year construction in progress transfers.

	2013	2012
Land	\$ 10,500	\$ 10,500
Construction in progress	5,269,487	7,070,154
Buildings and improvements	91,642,983	81,167,404
Furniture and equipment	6,893,111	6,437,361
Vehicles	582,050	751,035
Buses	4,281,087	4,928,239
Total capital assets	108,679,218	100,364,693
Less accumulated depreciation	40,297,946	39,160,975
Net capital assets	<u>\$ 68,381,272</u>	<u>\$ 61,203,718</u>

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.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$34.3 million in bonds outstanding versus \$37.4 million in the previous year - a decrease of 8 percent, due mainly to the payment schedule of the 2002 Issue. Those bonds consisted of the following:

	2013	2012
General obligation bonds	\$ 34,290,000	\$ 37,210,000
Durant Non-Plaintiff Bonds	-	193,337
Total	<u>\$ 34,290,000</u>	<u>\$ 37,403,337</u>

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.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2014 fiscal year budget. 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. 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 2014 fiscal year is anticipated to be 90 percent of the October 2013 student count and 10 percent of the February 2014 student count. This is a change from the current year which is 10 percent of the previous fiscal year February count and 90 percent of the current fiscal year October count. The 2014 budget was adopted in June 2013, based on an estimate of students that will be enrolled in September 2013. Approximately three-quarters of the total General Fund revenue is generated from the foundation allowance. Based on early enrollment data at the start of the 2014 school year, we anticipate that the fall student count will be only slightly better than the estimates used in creating the 2014 budget, but still lower than 2013. 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.

Port Huron Area School District

Management's Discussion and Analysis (Continued)

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 2013 conference, House Bill 4228 was passed as Public Act No. 60 for the School Aid Budget for 2013-2014. This budget increases the foundation allowance by \$60 per pupil and added a one-time equity payment of \$50 per pupil. Last year's best practice incentive is the same at \$52 per pupil with a few added requirements, such as reporting a two-year budget. The Michigan Public School Employees' Retirement System (MPERS) one-time cost offset of approximately \$108 per pupil is being reduced to about \$67 per pupil. The net effect of these changes is that funding will increase about 1 percent from 2012-2013 to 2013-2014.

On the expenditure side, the retirement rate for the basic plan is set at 24.79 percent, up from 24.32 percent for the period from February 2013 to September 2013. Additional retirement offset funding that was to be paid directly to the Office of Retirement Services (ORS) from the School Aid Fund for rate stabilization will now be run through districts as additional revenue with a corresponding expenditure. For 2013-2014, this will amount to approximately 4.56 percent of payroll. The net effect of this Section 147c payment will be zero as districts will record an equal amount of revenue and expenditures. In addition, because the budgeted fund balance fell below 8 percent of expenditures, a provision in the Port Huron Education Association (PHEA) contract was triggered, causing a salary reduction to bring the ending fund balance for the 2013-2014 fiscal year to 8 percent. As a result, revenues are expected to exceed expenditures for the 2013-2014 fiscal year.

Further unknowns with enrollment and funding are due to new provisions in the School Aid Act requiring funding to follow the student for mid-year transfers (Section 25e) and online classes which may be provided by other institutions but paid for by the district where the student is enrolled (Section 21f). 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 the changing landscape of education funding and 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 economic uncertainty 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.

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Port Huron Area School District

Statement of Net Position June 30, 2013

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 12,909,032
Receivables (Note 4)	15,551,833
Inventories	133,548
Prepaid costs	166,924
Restricted cash and investments (Notes 3 and 8)	5,528,408
Capital assets:	
Nondepreciating (Note 5)	5,279,987
Depreciating - Net (Note 5)	<u>63,101,285</u>
Total assets	102,671,017
Deferred Outflows of Resources -	
Deferred charges on bond refunding	<u>278,775</u>
Total assets and deferred outflows of resources	102,949,792
Liabilities	
Accounts payable	2,931,649
Accrued payroll-related liabilities	10,683,240
Accrued interest	248,427
Unearned revenue (Note 4)	914,804
Noncurrent liabilities (Note 7):	
Due within one year	3,719,472
Due in more than one year	<u>32,871,900</u>
Total liabilities	<u>51,369,492</u>
Net Position	
Net investment in capital assets	36,688,436
Restricted:	
Debt service	1,117,588
Capital projects	65,349
Food service	1,625,102
Unrestricted	<u>12,083,825</u>
Total net position	<u>\$ 51,580,300</u>

Port Huron Area School District

Statement of Activities Year Ended June 30, 2013

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Position
Primary government - Governmental activities:				
Instruction	\$ 62,582,233	\$ 733,680	\$ 19,170,626	\$ (42,677,927)
Support services	31,010,902	7,225	-	(31,003,677)
Athletics	942,448	169,155	-	(773,293)
Food services	3,712,804	577,529	3,575,455	440,180
Community services	164,821	240,779	-	75,958
Interest	1,652,566	-	-	(1,652,566)
Other	513	-	-	(513)
Total primary government	<u>\$ 100,066,287</u>	<u>\$ 1,728,368</u>	<u>\$ 22,746,081</u>	(75,591,838)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				10,921,227
Property taxes, levied for debt service				4,219,729
State aid not restricted to specific purposes				52,980,213
Interest and investment earnings				33,200
Gain on the sale of capital assets				780
Other				680,519
Total general revenues				<u>68,835,668</u>
Change in Net Position				(6,756,170)
Net Position - Beginning of year				<u>58,336,470</u>
Net Position - End of year				<u>\$ 51,580,300</u>

Port Huron Area School District

Governmental Funds Balance Sheet June 30, 2013

	General Fund	2011 Capital Projects Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 2,780,765	\$ -	\$ 3,355,078	\$ 1,613,106	\$ 7,748,949
Receivables (Note 4)	15,523,638	28,195	-	-	15,551,833
Due from other funds (Note 6)	9,933	-	-	-	9,933
Inventories	101,576	-	-	31,972	133,548
Prepaid costs and other assets	166,924	-	-	-	166,924
Restricted cash and investments (Notes 3 and 8)	-	4,152,460	-	1,375,948	5,528,408
Total assets	\$ 18,582,836	\$ 4,180,655	\$ 3,355,078	\$ 3,021,026	\$ 29,139,595
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 1,991,049	\$ 816,540	\$ 6,375	\$ 19,976	\$ 2,833,940
Accrued payroll-related liabilities	10,683,240	-	-	-	10,683,240
Due to other funds (Note 6)	97,709	-	-	9,933	107,642
Unearned revenue (Note 4)	914,804	-	-	-	914,804
Total liabilities	13,686,802	816,540	6,375	29,909	14,539,626
Deferred Inflows of Resources -					
Unavailable revenue (Note 4)	112,861	-	-	-	112,861
Total liabilities and deferred inflows of resources	13,799,663	816,540	6,375	29,909	14,652,487
Fund Balances					
Nonspendable:					
Inventory	101,576	-	-	31,972	133,548
Prepaid assets	166,924	-	-	-	166,924
Restricted:					
Capital projects	-	3,364,115	-	-	3,364,115
Debt service	-	-	-	1,366,015	1,366,015
Food service	-	-	-	1,593,130	1,593,130
Assigned:					
Capital projects	-	-	3,348,703	-	3,348,703
Encumbrances	290,084	-	-	-	290,084
Unassigned	4,224,589	-	-	-	4,224,589
Total fund balances	4,783,173	3,364,115	3,348,703	2,991,117	14,487,108
Total liabilities, deferred inflows of resources, and fund balances	\$ 18,582,836	\$ 4,180,655	\$ 3,355,078	\$ 3,021,026	\$ 29,139,595

Port Huron Area School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds \$ 14,487,108

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	\$ 104,398,131	
Accumulated depreciation	<u>(37,408,768)</u>	66,989,363

Other long-term assets not available to pay current period expenditures are therefore deferred in the governmental funds 112,861

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 (34,712,826)

Accrued interest payable is not included as a liability in governmental funds (248,427)

Internal service funds assets and liabilities are included in governmental activities in the statement of net position 4,952,221

Net Position of Governmental Activities **\$ 51,580,300**

Port Huron Area School District

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	2011 Capital Projects Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 12,705,022	\$ 70,299	\$ -	\$ 4,830,375	\$ 17,605,696
State sources	61,974,180	-	-	335,701	62,309,881
Federal sources	7,194,187	-	-	3,442,296	10,636,483
Interdistrict sources	2,779,929	-	-	-	2,779,929
Total revenue	84,653,318	70,299	-	8,608,372	93,331,989
Expenditures					
Current:					
Instruction	61,673,644	-	-	-	61,673,644
Support services	27,713,178	-	-	-	27,713,178
Athletics	942,448	-	-	-	942,448
Food services	-	-	-	3,674,458	3,674,458
Community services	164,821	-	-	-	164,821
Debt service:					
Principal	-	-	-	3,113,338	3,113,338
Interest	-	-	-	1,631,705	1,631,705
Other	-	-	-	513	513
Capital outlay	307,165	11,350,149	72,614	263,793	11,993,721
Total expenditures	90,801,256	11,350,149	72,614	8,683,807	110,907,826
Excess of Expenditures Over Revenue	(6,147,938)	(11,279,850)	(72,614)	(75,435)	(17,575,837)
Other Financing Sources					
Proceeds from sale of capital assets	34,339	-	-	-	34,339
Transfers in	456,835	-	-	-	456,835
Total other financing sources	491,174	-	-	-	491,174
Net Change in Fund Balances	(5,656,764)	(11,279,850)	(72,614)	(75,435)	(17,084,663)
Fund Balances - Beginning of year	10,439,937	14,643,965	3,421,317	3,066,552	31,571,771
Fund Balances - End of year	\$ 4,783,173	\$ 3,364,115	\$ 3,348,703	\$ 2,991,117	\$ 14,487,108

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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (17,084,663)

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	\$ (1,590,676)	
Capitalized capital outlay	<u>9,196,294</u>	7,605,618

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

(33,559)

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

(22,652)

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

18,498

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

3,113,338

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

(39,360)

Internal service funds are included as part of governmental activities

(313,390)

Change in Net Position of Governmental Activities \$ (6,756,170)

Port Huron Area School District

Proprietary Funds - Internal Service Funds Combined Statement of Net Position June 30, 2013

Assets

Current assets - Cash and investments (Note 3)	\$ 5,160,083
Noncurrent assets - Capital assets - Net (Note 5)	<u>1,391,909</u>
Total assets	6,551,992

Liabilities

Current liabilities:	
Provision for uninsured losses and liabilities (Notes 7 and 9)	199,657
Accrued severance (Note 7)	<u>399,367</u>
Total current liabilities	599,024
Noncurrent liabilities:	
Provision for uninsured losses and liabilities (Notes 7 and 9)	598,972
Accrued severance (Note 7)	<u>401,775</u>
Total noncurrent liabilities	<u>1,000,747</u>
Total liabilities	<u>1,599,771</u>

Net Position

Net investment in capital assets	1,391,909
Unrestricted	<u>3,560,312</u>
Total net position	<u>\$ 4,952,221</u>

Port Huron Area School District

Proprietary Funds - Internal Service Funds Combined Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

Operating Revenue	\$ 1,108,000
Operating Expenses	
Claims and reinsurance charges	447,225
Administrative and other	89,270
Depreciation	329,786
Severance	59,607
	<hr/>
Total operating expenses	925,888
	<hr/>
Operating Income	182,112
Nonoperating Expense - Loss on sale of capital assets	(38,667)
	<hr/>
Income	143,445
Transfer to Other Funds	(456,835)
	<hr/>
Change in Net Position	(313,390)
Net Position - Beginning of year	5,265,611
	<hr/>
Net Position - End of year	<u><u>\$ 4,952,221</u></u>

Port Huron Area School District

Proprietary Funds - Internal Service Funds Combined Statement of Cash Flows Year Ended June 30, 2013

Cash Flows from Operating Activities	
Receipts from premiums - General Fund	\$ 1,108,000
Claims paid	<u>(799,358)</u>
Net cash provided by operating activities	308,642
Cash Flows from Noncapital Financing Activities - Transfers to other funds	(456,835)
Cash Flows from Capital and Related Financing Activities - Proceeds from sales of buses	<u>26,052</u>
Net Change in Cash and Investments	(122,141)
Cash and Investments - Beginning of year	<u>5,282,224</u>
Cash and Investments - End of year	<u><u>\$ 5,160,083</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 182,112
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	329,786
Changes in assets and liabilities:	
Decrease in accounts payable	(12,210)
Decrease in accrued and other liabilities	<u>(191,046)</u>
Net cash provided by operating activities	<u><u>\$ 308,642</u></u>

Port Huron Area School District

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Student Activities Agency Fund	Private Purpose Trust
Assets		
Cash and investments (Note 3)	\$ 749,557	\$ -
Due from other funds (Note 6)	-	97,709
Total assets	\$ 749,557	97,709
Liabilities - Due to student groups	\$ 749,557	-
Net Position - Restricted for scholarships		\$ 97,709

Port Huron Area School District

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2013

	Private Purpose Trust
Additions	
Private donations	\$ 34,575
Interest	10
Returned scholarships	<u>2,215</u>
Total additions	36,800
Deductions	
Scholarships awarded	45,511
Program supplies	<u>4,316</u>
Total deductions	<u>49,827</u>
Decrease in Net Position	(13,027)
Net Position - Beginning of year	<u>110,736</u>
Net Position - End of year	<u><u>\$ 97,709</u></u>

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Port Huron Area School District

Notes to Financial Statements June 30, 2013

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 position 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, 2013

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.

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.

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.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

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.

Capital Projects Fund - The Capital Projects Fund is used to record revenue and the disbursements 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.

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.

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 Position 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."

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 position. Bond premiums and discounts 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 recorded as expenditures when the bonds are issued.

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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those 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.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the School District's policy is to first apply restricted resources. When an expenditure 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.

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

Accounting Change - Effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This 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 provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement impacted the format and report of the balance sheet at the government-wide level and also at the fund level.

Also effective July 1, 2012, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement 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.

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.

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.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability (Continued)

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	\$ 22,965,166
Expenditures and other uses	(19,601,052)

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.

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 \$10,817,722 had \$10,317,194 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.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

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.

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	\$ 9,704,938	N/A	AAAm	Standard & Poor's
Bank Investment Pool	<u>297,014</u>	N/A	AA+	Standard & Poor's
Total investments	<u>\$ 10,001,952</u>			

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.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 4 - Receivables and Unavailable/Unearned Revenue

Receivables as of year end are as follows:

	<u>General Fund</u>	<u>2011 Capital Projects Fund</u>
Receivables:		
Taxes receivable	\$ 112,861	\$ -
Accounts receivable	949,236	-
Accrued interest receivable	-	28,195
Due from other governmental units	<u>14,461,541</u>	<u>-</u>
Total receivables	<u>\$ 15,523,638</u>	<u>\$ 28,195</u>

Due from other governmental units includes federal receivables of \$2,408,526 for federal grants as reported on the schedule of expenditures of federal awards (under separate cover) and the state aid receivable of \$12,053,015. 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 unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned 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 unearned and unavailable revenue are as follows:

	<u>Governmental Funds</u>	
	<u>Deferred Inflow - Unavailable</u>	<u>Liability - Unearned</u>
Property taxes	\$ 112,861	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>-</u>	<u>914,804</u>
Total	<u>\$ 112,861</u>	<u>\$ 914,804</u>

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets

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

Governmental Activities	<u>Balance July 1, 2012</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Construction in progress	<u>7,070,154</u>	<u>4,379,477</u>	<u>6,180,144</u>	<u>5,269,487</u>
Subtotal	7,080,654	4,379,477	6,180,144	5,279,987
Capital assets being depreciated:				
Buildings and improvements	81,167,404	10,475,579	-	91,642,983
Furniture and equipment	6,437,361	455,750	-	6,893,111
Vehicles	751,035	65,632	234,617	582,050
Buses	<u>4,928,239</u>	<u>-</u>	<u>647,152</u>	<u>4,281,087</u>
Subtotal	93,284,039	10,996,961	881,769	103,399,231
Accumulated depreciation:				
Buildings and improvements	33,710,094	1,315,118	-	35,025,212
Furniture and equipment	2,126,530	256,928	-	2,383,458
Vehicles	182,526	18,630	201,058	98
Buses	<u>3,141,825</u>	<u>329,786</u>	<u>582,433</u>	<u>2,889,178</u>
Net capital assets	<u>39,160,975</u>	<u>1,920,462</u>	<u>783,491</u>	<u>40,297,946</u>
Net capital assets being depreciated	<u>54,123,064</u>	<u>9,076,499</u>	<u>98,278</u>	<u>63,101,285</u>
Net capital assets	<u>\$61,203,718</u>	<u>\$13,455,976</u>	<u>\$ 6,278,422</u>	<u>\$ 68,381,272</u>

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

Governmental activities:	
Instruction	\$ 1,266,917
Support services	615,199
Food services	<u>38,346</u>
Total governmental activities	<u>\$ 1,920,462</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, 2013 are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2011 School Building and Site Bonds	<u>\$ 19,601,052</u>	<u>\$ 2,897,890</u>

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 6 - Interfund Receivables, Payables, and Transfers

The debt service funds have amounts due to the General Fund totaling \$9,933 as a result of current year activity related to tax tribunal decisions. The General Fund also has amounts totaling \$97,709 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:

Fund Due To	Fund Due From		Total
	General Fund	Nonmajor Funds	
General Fund	\$ -	\$ 9,933	\$ 9,933
Fiduciary funds	97,709	-	97,709
Total	<u>\$ 97,709</u>	<u>\$ 9,933</u>	<u>\$ 107,642</u>

Transfers from the internal service funds to the General Fund included amounts related to workers' compensation adjustments as actuarially determined, excess fund balance transfers from both dental and vision funds, and a bus reserve transfer for the purchase of security cameras.

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments 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. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

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	\$ 37,403,337	\$ -	\$ 3,113,337	\$ 34,290,000	\$ 3,040,000
Less deferred amounts - Issuance premiums	782,049	-	80,448	701,601	80,448
Total bonds payable	38,185,386	-	3,193,785	34,991,601	3,120,448
Other obligations:					
Employee severance	1,011,759	-	210,617	801,142	399,367
Workers' compensation	779,059	19,570	-	798,629	199,657
Total other obligations	1,790,818	19,570	210,617	1,599,771	599,024
Total governmental activities	<u>\$ 39,976,204</u>	<u>\$ 19,570</u>	<u>\$ 3,404,402</u>	<u>\$ 36,591,372</u>	<u>\$ 3,719,472</u>

Annual debt service requirements to maturity for the above governmental bonds are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
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	2,355,000	1,100,463	3,455,463
2019-2023	8,150,000	4,364,063	12,514,063
2024-2028	8,625,000	2,488,313	11,113,313
2029-2031	5,175,000	517,500	5,692,500
Total	<u>\$ 34,290,000</u>	<u>\$ 13,809,741</u>	<u>\$ 48,099,741</u>

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$5,290,000 serial bonds due in annual installments of \$1,450,000 through May 1, 2014; interest at 5.0 percent	\$ 1,450,000
\$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>23,375,000</u>
Total general obligation bonds	<u>\$ 34,290,000</u>

Other governmental activities long-term obligations include the following:

Employee severance	\$ 801,142
Workers' compensation self-insurance	<u>798,629</u>
Total other obligations	<u>\$ 1,599,771</u>

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

Note 8 - Restricted Assets

The balance of governmental activities restricted cash and investments at June 30, 2013 is as follows:

Amount segregated for bonded capital projects	\$ 4,152,460
Amount segregated for payment of debt	<u>1,375,948</u>
Total restricted assets	<u>\$ 5,528,408</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.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 9 - Risk Management (Continued)

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 and the internal service fund. The estimated liability for unpaid claims related to dental and vision is not significant.

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

	2013	2012
Estimated liability - Beginning of year	\$ 779,059	\$ 1,336,830
Estimated claims incurred	195,961	156,845
Changes in estimates	19,570	(557,771)
Claim payments	(195,961)	(156,845)
Unpaid claims - End of year	<u>\$ 798,629</u>	<u>\$ 779,059</u>

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), 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 system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary 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.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

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

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 15.96 percent of covered payroll for the period from July 1, 2011 through September 30, 2011. The employer contribution rate for pension plus plan members was 14.73 percent for the period from July 1, 2012 through September 30, 2012. Beginning October 1, 2012 through January 31, 2013, employees were given the following plan options with the corresponding employer contribution rates:

	First Worked Before July 1, 2010*	First Worked on or After July 1, 2010 through September 3, 2012**	First Worked on or After September 4, 2012 and Remain Pension Plus	First Worked on or After September 4, 2012 and Elect DC
Pension contributions	16.25 %	15.02 %	15.02 %	12.78 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %

* Basic, MIP Fixed, MIP Graded, MIP Plus

** Pension Plus

For the period from February 1, 2013 through June 30, 2013, employees could transition to a defined contribution plan (DC) and could also elect out of the healthcare premium subsidy and into the Personal Healthcare Fund (PHF) depending upon their date of hire and retirement plan election. Employees had the following plan options with the corresponding employer contribution rates:

	Basic MIP	Pension Plus	Pension Plus PHF*	Pension DC with PHF*	Basic MIP DB to DC with Health	Basic MIP DB to DC with PHF	Basic MIP with PHF
Pension contributions	15.21 %	15.02 %	15.02 %	12.78 %	12.78 %	12.78 %	15.21 %
Health contributions	9.11 %	9.11 %	8.18 %	8.18 %	9.11 %	8.18 %	8.18 %
Defined contribution plan employer contributions:							
DC employer contributions	0.00 %	1.00 %	1.00 %	3.00 %	4.00 %	4.00 %	0.00 %
Personal Healthcare Fund	0.00 %	0.00 %	2.00 %	2.00 %	0.00 %	2.00 %	2.00 %

* First worked September 4, 2012 or later

Port Huron Area School District

Notes to Financial Statements June 30, 2013

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

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the years ended June 30, 2013, 2012, and 2011 were \$8,459,806, \$8,034,754, and \$6,463,516, respectively.

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 8.5 percent of covered payroll for the period from July 1, 2012 through September 30, 2012. For the period from October 1, 2012 through June 30, 2013, the employer contribution rate ranged from 8.18 percent to 9.11 percent dependent upon the employee's date of hire and plan election as noted above. Effective February 1, 2013, members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 401(k) account.

The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2013, 2012, and 2011 were \$4,333,050, \$4,279,045, and \$4,446,065, respectively.

Port Huron Area School District

Notes to Financial Statements June 30, 2013

Note 11 - Operating Leases

The School District leases equipment under noncancelable operating leases. Total costs for such leases were \$22,721 for the current year. The future minimum lease payments for these leases are as follows:

Years Ending June 30	Amount
2014	\$ 27,265
2015	27,265
2016	27,265
2017	27,265
2018	4,544
Total	<u>\$ 113,604</u>

Required Supplemental Information

Port Huron Area School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 13,559,714	\$ 13,139,120	\$ 12,705,022	\$ (434,098)
State sources	60,395,151	62,443,640	61,974,180	(469,460)
Federal sources	8,314,962	9,167,372	7,194,187	(1,973,185)
Interdistrict sources	<u>3,004,505</u>	<u>2,673,544</u>	<u>2,779,929</u>	<u>106,385</u>
Total revenue	85,274,332	87,423,676	84,653,318	(2,770,358)
Expenditures - Current				
Instruction:				
Basic program	46,372,586	46,344,577	45,567,377	(777,200)
Added needs	16,237,569	16,658,139	15,288,274	(1,369,865)
Other programs	<u>812,204</u>	<u>860,622</u>	<u>817,993</u>	<u>(42,629)</u>
Total instruction	63,422,359	63,863,338	61,673,644	(2,189,694)
Support services:				
Pupil	4,568,387	4,639,535	4,579,249	(60,286)
Instructional staff	5,265,348	5,459,100	4,586,184	(872,916)
General administration	664,868	690,303	662,536	(27,767)
School administration	5,453,683	5,473,145	5,472,283	(862)
Business services	1,011,975	1,060,416	1,051,480	(8,936)
Operations	6,165,253	6,847,262	6,755,880	(91,382)
Transportation	3,229,330	3,349,651	3,331,560	(18,091)
Central	<u>1,623,349</u>	<u>1,729,618</u>	<u>1,581,171</u>	<u>(148,447)</u>
Total support services	27,982,193	29,249,030	28,020,343	(1,228,687)
Athletics	955,629	955,229	942,448	(12,781)
Community services	<u>204,057</u>	<u>211,076</u>	<u>164,821</u>	<u>(46,255)</u>
Total expenditures	92,564,238	94,278,673	90,801,256	(3,477,417)
Excess of Expenditures Over Revenue	(7,289,906)	(6,854,997)	(6,147,938)	707,059
Other Financing Sources				
Proceeds from sale of capital assets	-	-	34,339	34,339
Transfers in	<u>410,740</u>	<u>456,835</u>	<u>456,835</u>	<u>-</u>
Total other financing sources	410,740	456,835	491,174	34,339
Net Change in Fund Balance	(6,879,166)	(6,398,162)	(5,656,764)	741,398
Fund Balance - Beginning of year	<u>10,439,937</u>	<u>10,439,937</u>	<u>10,439,937</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 3,560,771</u>	<u>\$ 4,041,775</u>	<u>\$ 4,783,173</u>	<u>\$ 741,398</u>

Port Huron Area School District

Note to Required Supplemental Information Year Ended June 30, 2013

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 restrictions, commitments, or 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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 688,300	\$ 694,800	\$ 589,741	\$ (105,059)
State sources	140,000	140,000	133,158	(6,842)
Federal sources	2,966,000	3,231,000	3,442,296	211,296
Total revenue	<u>3,794,300</u>	<u>4,065,800</u>	<u>4,165,195</u>	<u>99,395</u>
Expenditures - Food services				
Salaries, wages, and fringes	1,372,270	1,348,904	1,357,989	9,085
Food and milk	1,990,000	2,065,000	1,863,613	(201,387)
Other	789,285	809,185	716,649	(92,536)
Total expenditures	<u>4,151,555</u>	<u>4,223,089</u>	<u>3,938,251</u>	<u>(284,838)</u>
Net Change in Fund Balance	(357,255)	(157,289)	226,944	384,233
Fund Balance - Beginning of year	<u>1,398,158</u>	<u>1,398,158</u>	<u>1,398,158</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,040,903</u></u>	<u><u>\$ 1,240,869</u></u>	<u><u>\$ 1,625,102</u></u>	<u><u>\$ 384,233</u></u>

Port Huron Area School District

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue Fund	Debt Service Funds			Total Nonmajor Governmental Funds	
	Food Service	2002 B&S	2006 Refunding	Durant		2011 Debt Service Fund
Assets						
Cash and investments	\$ 1,613,106	\$ -	\$ -	\$ -	\$ -	\$ 1,613,106
Inventories	31,972	-	-	-	-	31,972
Restricted cash and investments	-	526,099	321,439	-	528,410	1,375,948
Total assets	\$ 1,645,078	\$ 526,099	\$ 321,439	\$ -	\$ 528,410	\$ 3,021,026
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 19,976	\$ -	\$ -	\$ -	\$ -	\$ 19,976
Due to other funds	-	3,313	2,254	-	4,366	9,933
Total liabilities	19,976	3,313	2,254	-	4,366	29,909
Fund Balances						
Nonspendable - Inventory	31,972	-	-	-	-	31,972
Restricted:						
Debt service	-	522,786	319,185	-	524,044	1,366,015
Food service	1,593,130	-	-	-	-	1,593,130
Total fund balances	1,625,102	522,786	319,185	-	524,044	2,991,117
Total liabilities and fund balances	\$ 1,645,078	\$ 526,099	\$ 321,439	\$ -	\$ 528,410	\$ 3,021,026

Port Huron Area School District

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2013

	Special Revenue Fund	Debt Service Funds				Total Nonmajor Governmental Funds
	Food Service	2002 B&S	2006 Refunding	Durant	2011 Debt Service Fund	
Revenue						
Local sources	\$ 589,741	\$ 1,849,766	\$ 542,151	\$ -	\$ 1,848,717	\$ 4,830,375
State sources	133,158	-	-	202,543	-	335,701
Federal sources	3,442,296	-	-	-	-	3,442,296
Total revenue	4,165,195	1,849,766	542,151	202,543	1,848,717	8,608,372
Expenditures						
Current - Food services	3,674,458	-	-	-	-	3,674,458
Debt service:						
Principal	-	1,975,000	-	193,338	945,000	3,113,338
Interest	-	176,187	378,600	9,205	1,067,713	1,631,705
Other	-	138	225	-	150	513
Capital outlay	263,793	-	-	-	-	263,793
Total expenditures	3,938,251	2,151,325	378,825	202,543	2,012,863	8,683,807
Net Change in Fund Balances	226,944	(301,559)	163,326	-	(164,146)	(75,435)
Fund Balances - Beginning of year	1,398,158	824,345	155,859	-	688,190	3,066,552
Fund Balances - End of year	\$ 1,625,102	\$ 522,786	\$ 319,185	\$ -	\$ 524,044	\$ 2,991,117

Port Huron Area School District

	Workers' Compensation Self-insurance	Vision Self- insurance	Dental Self- insurance
Assets			
Current assets - Cash and investments	\$ 3,422,007	\$ 8,347	\$ 162,661
Noncurrent assets - Capital assets - Net	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	3,422,007	8,347	162,661
Liabilities			
Current liabilities:			
Provision for uninsured losses and liabilities	199,657	-	-
Accrued severance	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	199,657	-	-
Noncurrent liabilities:			
Provision for uninsured losses and liabilities	598,972	-	-
Accrued severance	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>598,972</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>798,629</u>	<u>-</u>	<u>-</u>
Net Position			
Invested in capital assets	-	-	-
Unrestricted	<u>2,623,378</u>	<u>8,347</u>	<u>162,661</u>
Total net position	<u>\$ 2,623,378</u>	<u>\$ 8,347</u>	<u>\$ 162,661</u>

**Other Supplemental Information
Combining Statement of Net Position
Proprietary Funds - Internal Service Funds
June 30, 2013**

Severance	Unemploy- ment	Bus Reserve	Total
\$ 680,824	\$ 711,583	\$ 174,661	\$ 5,160,083
-	-	1,391,909	1,391,909
680,824	711,583	1,566,570	6,551,992
-	-	-	199,657
279,049	120,318	-	399,367
279,049	120,318	-	599,024
-	-	-	598,972
401,775	-	-	401,775
401,775	-	-	1,000,747
680,824	120,318	-	1,599,771
-	-	1,391,909	1,391,909
-	591,265	174,661	3,560,312
\$ -	\$ 591,265	\$ 1,566,570	\$ 4,952,221

Port Huron Area School District

	Workers' Compensation Self-insurance	Vision Self- insurance	Dental Self- insurance
Operating Revenue - Charges for services	\$ 593,808	\$ 9,225	\$ 166,200
Operating Expenses			
Claims and reinsurance charges	195,961	6,172	161,840
Administrative and other	68,302	1,413	19,555
Depreciation	-	-	-
Severance	-	-	-
Total operating expenses	<u>264,263</u>	<u>7,585</u>	<u>181,395</u>
Operating Income (Loss)	329,545	1,640	(15,195)
Nonoperating Expenses - Loss on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers	329,545	1,640	(15,195)
Transfer to Other Funds	<u>(257,683)</u>	<u>(45,932)</u>	<u>(104,875)</u>
Change in Net Position	71,862	(44,292)	(120,070)
Net Position - Beginning of year	<u>2,551,516</u>	<u>52,639</u>	<u>282,731</u>
Net Position - End of year	<u><u>\$ 2,623,378</u></u>	<u><u>\$ 8,347</u></u>	<u><u>\$ 162,661</u></u>

**Other Supplemental Information
Combining Statement of Revenue, Expenses, and
Changes in Net Position
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2013**

Severance	Unemploy- ment	Bus Reserve	Total
\$ 59,607	\$ 279,160	\$ -	\$ 1,108,000
-	83,252	-	447,225
-	-	-	89,270
-	-	329,786	329,786
59,607	-	-	59,607
<u>59,607</u>	<u>83,252</u>	<u>329,786</u>	<u>925,888</u>
-	195,908	(329,786)	182,112
-	-	(38,667)	(38,667)
-	195,908	(368,453)	143,445
-	-	(48,345)	(456,835)
-	195,908	(416,798)	(313,390)
-	395,357	1,983,368	5,265,611
<u>\$ -</u>	<u>\$ 591,265</u>	<u>\$ 1,566,570</u>	<u>\$ 4,952,221</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	\$ 593,808	\$ 9,225	\$ 166,200
Claims paid	<u>(254,693)</u>	<u>(7,921)</u>	<u>(183,269)</u>
Net cash provided by (used in) operating activities	339,115	1,304	(17,069)
Cash Flows from Noncapital Financing Activities -			
Transfers to other funds	(257,683)	(45,932)	(104,875)
Cash Flows from Capital and Related Financing			
Activities - Proceeds from sales of buses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash and Investments	81,432	(44,628)	(121,944)
Cash and Investments - Beginning of year	<u>3,340,575</u>	<u>52,975</u>	<u>284,605</u>
Cash and Investments - End of year	<u>\$ 3,422,007</u>	<u>\$ 8,347</u>	<u>\$ 162,661</u>
Reconciliation of Operating Income (Loss) to Net Cash			
from Operating Activities			
Operating income (loss)	\$ 329,545	\$ 1,640	\$ (15,195)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Decrease in accounts payable	(10,000)	(336)	(1,874)
Increase (decrease) in accrued and other liabilities	<u>19,570</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 339,115</u>	<u>\$ 1,304</u>	<u>\$ (17,069)</u>

**Other Supplemental Information
Combining Statement of Cash Flows
Proprietary Funds - Internal Service Funds
Year Ended June 30, 2013**

Severence	Unemploy- ment	Bus Reserve	Total
\$ 59,607 (119,214)	\$ 279,160 (234,261)	\$ - -	\$ 1,108,000 (799,358)
(59,607)	44,899	-	308,642
-	-	(48,345)	(456,835)
-	-	26,052	26,052
(59,607)	44,899	(22,293)	(122,141)
740,431	666,684	196,954	5,282,224
\$ 680,824	\$ 711,583	\$ 174,661	\$ 5,160,083
\$ -	\$ 195,908	\$ (329,786)	\$ 182,112
-	-	329,786	329,786
-	-	-	(12,210)
(59,607)	(151,009)	-	(191,046)
\$ (59,607)	\$ 44,899	\$ -	\$ 308,642

Port Huron Area School District

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2013

June 30	<u>2002 Issue</u> Principal	<u>2006 Refunding</u> Principal	<u>2011 Issue</u> Principal	<u>Total</u>
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 principal	<u>\$ 1,450,000</u>	<u>\$ 9,465,000</u>	<u>\$ 23,375,000</u>	<u>\$ 34,290,000</u>
Principal payments due	May 1	May 1	May 1	
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	
Interest rate	5.00%	4.00%	2.00% to 5.00%	
Original issue	<u>\$ 5,290,000</u>	<u>\$ 9,895,000</u>	<u>\$ 25,300,000</u>	

Port Huron Area School District

Other Supplemental Information Schedule of Investment in General Capital Assets by Building June 30, 2013

	Land and Improvements	Buildings and Improvements	Equipment, Furniture, and Vehicles	Total
Elementary Schools				
Cleveland	\$ 500	\$ 3,825,203	\$ 195,136	\$ 4,020,839
Thomas Edison	500	3,267,371	217,056	3,484,927
Garfield	500	3,370,458	273,972	3,644,930
Harrison	500	2,672,681	92,645	2,765,826
Howard D Crull	500	1,880,271	210,992	2,091,763
Indian Woods	500	4,432,295	106,541	4,539,336
Keewahdin	500	4,230,634	189,003	4,420,137
Kimball	500	1,500,460	204,676	1,705,636
Lakeport	500	2,267,800	162,576	2,430,876
McKinley	500	656,426	314,689	971,615
Michigamme	500	3,540,851	125,895	3,667,246
Roosevelt	500	3,155,817	248,311	3,404,628
Woodrow Wilson	500	2,967,284	164,908	3,132,692
Middle Schools				
Central	500	4,896,811	726,606	5,623,917
Fort Gratiot	500	3,871,254	284,145	4,155,899
Holland Woods	500	4,046,444	266,947	4,313,891
High Schools				
Port Huron High	500	21,988,561	456,379	22,445,440
Stadium and Field House	-	1,717,634	437,048	2,154,682
Port Huron Northern	500	18,386,233	991,712	19,378,445
Other				
Administration building	500	2,882,967	571,440	3,454,907
Port Huron South	500	-	-	500
Transportation	-	856,837	210,065	1,066,902
Building and warehouse	500	467,467	473,080	941,047
Buses	-	-	4,281,087	4,281,087
Other vehicles	-	-	582,050	582,050
Total	\$ 10,500	\$ 96,881,759	\$ 11,786,959	\$ 108,679,218

Port Huron Area School District

Other Supplemental Information Schedule of Changes in General Capital Assets by Source Year Ended June 30, 2013

	Balance July 1, 2012	Additions and Adjustments	Disposals and Adjustments	Balance June 30, 2013
Investment in general fixed assets from: Investments in property acquired prior to June 30, 1996	\$ 41,894,632	\$ -	\$ -	\$ 41,894,632
Investment in property acquired after June 30, 1996:				
General Fund	6,324,908	307,165	234,617	6,397,456
Donations	690,969	-	-	690,969
Capital projects funds	45,786,001	8,625,336	-	54,411,337
Food Service Fund	739,944	263,793	-	1,003,737
Internal service funds	4,928,239	-	647,152	4,281,087
Total	<u>\$ 100,364,693</u>	<u>\$ 9,196,294</u>	<u>\$ 881,769</u>	<u>\$ 108,679,218</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, 2013

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2013</u>
Student Activity Fund				
Assets - Cash and investments	<u>\$ 809,558</u>	<u>\$ 1,998,034</u>	<u>\$ 2,058,035</u>	<u>\$ 749,557</u>
Liabilities - Due to student groups	<u>\$ 809,558</u>	<u>\$ 1,998,034</u>	<u>\$ 2,058,035</u>	<u>\$ 749,557</u>

Port Huron Area School District

Fiduciary Fund Type Schedule Agency Fund - School Activities Statement of Cash Receipts and Disbursements Year Ended June 30, 2013

	Balance July 1, 2012	Receipts	Disbursements	Balance June 30, 2013
Elementary Schools				
Cleveland	\$ 14,757	\$ 13,129	\$ 16,641	\$ 11,245
Howard D Crull	9,723	23,204	21,714	11,213
Thomas Edison	35,797	86,216	90,098	31,915
Garfield	18,291	48,873	48,900	18,264
Indian Woods	13,608	36,353	37,679	12,282
Keewahdin	21,080	64,535	66,548	19,067
Kimball	10,356	24,764	26,541	8,579
Lakeport	5,555	18,596	21,241	2,910
Michigamme	15,934	36,309	33,852	18,391
Roosevelt	21,656	41,032	45,107	17,581
Woodrow Wilson	17,078	14,983	13,508	18,553
Total elementary schools	183,835	407,994	421,829	170,000
Middle Schools				
Central	45,314	197,268	206,730	35,852
Fort Gratiot	58,415	75,487	87,806	46,096
Holland Woods	17,337	64,872	66,028	16,181
Total middle schools	121,066	337,627	360,564	98,129
High Schools				
Port Huron High	202,906	435,853	455,805	182,954
Port Huron Northern	266,690	733,854	736,911	263,633
Total high schools	469,596	1,169,707	1,192,716	446,587
Other				
Harrison Center (formerly Grant Adult Ed)	35,061	82,706	82,926	34,841
Total	\$ 809,558	\$ 1,998,034	\$ 2,058,035	\$ 749,557

**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.	76-83
Revenue Capacity These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.	84-89
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.	90-92
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.	93-95
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.	96-104

Port Huron Area School District

Expenses	2013	2012	2011	2010
Instruction	\$ 62,582,233	\$ 63,082,798	\$ 66,796,068	\$ 69,199,983
Support services	31,010,902	29,124,558	30,484,365	33,827,833
Athletics	942,448	980,485	831,933	83,499
Food services	3,712,804	3,536,286	3,167,815	3,314,933
Community services	164,821	323,853	549,299	394,997
Interest on long-term debt and other	1,653,079	1,684,348	1,296,813	1,090,234
Total primary government - Governmental activities	\$ 100,066,287	\$ 98,732,328	\$ 103,126,293	\$ 107,911,479
Program Revenue				
Charges for services:				
Instruction	\$ 733,680	\$ 203,568	\$ 48,087	\$ 43,752
Support services	7,225			
Athletics	169,155	191,932	213,783	83,370
Food services	577,529	484,276	625,639	709,593
Community services	240,779	833,229	1,310,799	1,122,504
Operating grants/Contributions	22,746,082	23,341,629	26,448,060	27,066,368
Capital grants/Contributions	-	-	-	-
Total primary government - Program revenue	\$ 24,474,450	\$ 25,054,634	\$ 28,646,368	\$ 29,025,587
Net (Expense) Revenue and Changes in Net Position	\$ (75,591,837)	\$ (73,677,694)	\$ (74,479,925)	\$ (78,885,892)
General Revenue				
Taxes:				
Property taxes - General purpose	\$ 10,921,227	\$ 11,803,325	\$ 12,465,221	\$ 12,802,737
Property taxes - Debt purpose	4,219,729	4,447,786	3,766,740	4,080,089
Unrestricted state aid	52,980,212	53,571,085	56,157,152	55,044,752
Federal sources - Unrestricted	-	169,456	3,446,551	2,979,903
Interest and investment earnings	33,200	84,546	55,455	91,011
Gain (loss) on the sale of capital assets	780	-	-	(1,324,893)
Other	680,519	164,735	125,465	446,557
Total primary government - General revenue	\$ 68,835,667	\$ 70,240,933	\$ 76,016,584	\$ 74,120,156
Change in Governmental Net Position	\$ (6,756,170)	\$ (3,436,761)	\$ 1,536,659	\$ (4,765,736)

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2004 through 2013

Note: Effective July 1, 2012, the School District adopted GASB Statement No. 63. This schedule has been updated to reflect the provisions for this statement in all years.

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 68,691,711	\$ 67,622,839	\$ 65,559,767	\$ 63,288,521	\$ 60,451,704	\$ 66,184,115
34,990,669	35,349,335	33,206,986	35,250,769	34,213,107	33,843,321
91,490	100,346	95,657	89,303	102,104	95,491
3,471,759	3,129,557	3,016,628	3,078,504	2,990,405	2,915,942
119,473	158,503	61,518	561,984	546,006	486,477
1,090,992	2,462,042	2,233,763	2,747,021	2,649,289	2,415,557
<u>\$ 108,456,094</u>	<u>\$ 108,822,622</u>	<u>\$ 104,174,319</u>	<u>\$ 105,016,102</u>	<u>\$ 100,952,615</u>	<u>\$ 105,940,903</u>
\$ 55,522	\$ -	\$ -	\$ -	\$ -	\$ -
107,713	77,442	78,821	82,925	90,143	61,379
788,920	832,879	917,410	969,610	991,152	1,023,584
1,531,943	1,339,489	1,108,348	1,057,158	962,699	387,035
28,329,803	21,920,352	22,159,035	19,469,239	17,715,962	17,472,747
-	-	7,733	25,145	3,959	8,767
<u>\$ 30,813,901</u>	<u>\$ 24,170,162</u>	<u>\$ 24,271,347</u>	<u>\$ 21,604,077</u>	<u>\$ 19,763,915</u>	<u>\$ 18,953,512</u>
<u>\$ (77,642,193)</u>	<u>\$ (84,652,460)</u>	<u>\$ (79,902,972)</u>	<u>\$ (83,412,025)</u>	<u>\$ (81,188,700)</u>	<u>\$ (86,987,391)</u>
\$ 12,191,668	\$ 13,911,425	\$ 12,997,809	\$ 12,870,517	\$ 11,859,919	\$ 11,547,971
4,073,321	4,006,101	3,757,672	3,604,957	3,435,281	3,272,087
57,790,490	61,453,280	63,781,144	67,499,615	66,803,558	67,342,676
-	-	-	-	-	-
476,400	1,257,078	1,641,761	1,341,298	663,857	404,319
-	-	-	-	-	-
254,941	2,255,798	(13,906)	57,737	(30,976)	35,304
<u>\$ 74,786,820</u>	<u>\$ 82,883,682</u>	<u>\$ 82,164,480</u>	<u>\$ 85,374,124</u>	<u>\$ 82,731,639</u>	<u>\$ 82,602,357</u>
<u>\$ (2,855,373)</u>	<u>\$ (1,768,778)</u>	<u>\$ 2,261,508</u>	<u>\$ 1,962,099</u>	<u>\$ 1,542,939</u>	<u>\$ (4,385,034)</u>

Port Huron Area School District

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund				
Pre GASB 54:				
Reserved	\$ -	\$ -	\$ -	\$ 681,245
Unreserved	-	-	-	10,492,716
Post GASB 54:				
Nonspendable	268,500	1,085,568	101,660	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	290,084	4,876,672	6,081,000	-
Unassigned	4,224,589	4,477,697	5,648,005	-
Total General Fund	<u>\$ 4,783,173</u>	<u>\$ 10,439,937</u>	<u>\$ 11,830,665</u>	<u>\$ 11,173,961</u>
All Other Governmental Funds				
Pre GASB 54:				
Reserved	\$ -	\$ -	\$ -	\$ 2,487,949
Unreserved, reported in:				
Special Revenue Fund	-	-	-	1,560,678
Capital Projects Fund	-	-	-	3,461,344
Debt Service Fund	-	-	-	-
Post GASB 54:				
Nonspendable	31,972	21,815	19,734	-
Restricted	6,323,260	17,688,702	25,412,917	-
Committed	-	-	-	-
Assigned	3,348,703	3,421,317	2,847,658	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 9,703,935</u>	<u>\$ 21,131,834</u>	<u>\$ 28,280,309</u>	<u>\$ 7,509,971</u>

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2004 through 2013

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 401,761	\$ 608,060	\$ 2,950,314	\$ 1,717,769	\$ 1,794,132	\$ 1,796,249
15,985,715	19,450,495	20,603,114	19,857,092	18,068,457	18,152,442
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 16,387,476</u>	<u>\$ 20,058,555</u>	<u>\$ 23,553,428</u>	<u>\$ 21,574,861</u>	<u>\$ 19,862,589</u>	<u>\$ 19,948,691</u>
\$ 2,182,762	\$ 1,403,209	\$ 2,930,792	\$ 4,679,298	\$ 5,411,797	\$ 17,150,855
1,428,433	1,425,672	1,582,047	1,543,288	1,649,487	1,633,040
2,822,361	3,977,631	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,433,556</u>	<u>\$ 6,806,512</u>	<u>\$ 4,512,839</u>	<u>\$ 6,222,586</u>	<u>\$ 7,061,284</u>	<u>\$ 18,783,895</u>

Port Huron Area School District

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue				
Local Sources	\$ 17,605,696	\$ 18,345,627	\$ 18,737,048	\$ 19,590,870
State Sources	62,309,880	62,025,886	64,637,166	64,850,209
Federal Sources	10,636,484	11,438,478	17,481,638	16,730,917
Interdistrict Sources	<u>2,779,929</u>	<u>3,452,602</u>	<u>3,777,618</u>	<u>3,346,168</u>
Total Revenue	93,331,989	95,262,593	104,633,470	104,518,164
Expenditures				
Instruction	61,673,644	62,659,525	66,336,174	68,114,803
Support Services	27,713,178	27,563,845	29,954,989	32,993,790
Athletics	942,448	980,485	831,933	83,499
Community Services	164,821	323,853	549,299	394,997
Food Service	3,674,458	3,493,987	3,141,120	3,259,305
Debt Service:				
Principal	3,113,338	3,014,553	3,036,175	3,232,630
Interest	1,631,705	1,582,386	897,144	1,104,066
Other	513	15,628	86,116	975
Capital Outlay	<u>11,993,721</u>	<u>8,326,039</u>	<u>1,027,814</u>	<u>804,331</u>
Total Expenditures	<u>110,907,826</u>	<u>107,960,301</u>	<u>105,860,764</u>	<u>109,988,396</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(17,575,837)	(12,697,708)	(1,227,294)	(5,470,232)
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	34,339	3,257,393	-	1,118,840
Transfers in	456,835	3,766,343	214,292	351,238
Transfers out	-	(2,865,231)	-	(136,946)
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>491,174</u>	<u>4,158,505</u>	<u>22,654,336</u>	<u>1,333,132</u>
Net Change in Fund Balances	(17,084,663)	(8,539,203)	21,427,042	(4,137,100)
Fund Balance - Beginning of the year	<u>31,571,771</u>	<u>40,110,974</u>	<u>18,683,932</u>	<u>22,821,032</u>
Fund Balance - End of the year	<u>\$ 14,487,108</u>	<u>\$ 31,571,771</u>	<u>\$ 40,110,974</u>	<u>\$ 18,683,932</u>
Debt service as a percentage of noncapital expenditures	4.80%	4.63%	3.83%	3.97%

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2004 through 2013

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	19,564,785	\$ 21,542,657	\$ 20,736,452	\$ 19,756,935	\$ 18,037,772	\$ 17,055,111
	67,569,388	70,586,385	73,629,621	74,291,150	71,658,375	72,558,783
	14,630,129	9,839,072	9,701,668	9,925,416	10,424,238	9,902,043
	<u>3,911,514</u>	<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>
	105,675,816	104,916,289	106,676,631	106,725,789	102,557,292	101,870,534
	67,779,406	66,613,957	64,488,677	62,346,450	60,645,880	65,442,846
	34,376,988	34,817,930	33,129,991	34,737,762	33,694,309	33,171,004
	91,490	100,346	95,657	89,303	102,104	95,491
	119,473	158,503	61,517	561,984	546,006	486,477
	<u>3,443,972</u>	<u>3,108,611</u>	<u>2,990,714</u>	<u>3,053,767</u>	<u>2,975,252</u>	<u>2,903,379</u>
	3,025,530	1,266,943	1,202,569	1,839,215	1,204,594	1,213,327
	1,100,672	2,519,805	2,459,065	2,812,892	2,324,596	2,717,150
	5,298	3,180	803,905	1,335	1,260	1,401
	<u>719,627</u>	<u>303,282</u>	<u>2,376,087</u>	<u>964,879</u>	<u>13,073,723</u>	<u>10,518,311</u>
	<u>110,662,456</u>	<u>108,892,557</u>	<u>107,608,182</u>	<u>106,407,587</u>	<u>114,567,724</u>	<u>116,549,386</u>
	(4,986,640)	(3,976,268)	(931,551)	318,202	(12,010,432)	(14,678,852)
	-	2,215,000	-	-	-	-
	1,438,744	2,818,002	1,042,038	659,856	1,672,164	2,229,725
	(496,137)	(2,257,934)	(486,667)	(104,484)	(1,286,450)	(2,412,011)
	-	-	9,895,000	-	6,030,000	-
	-	-	(9,250,000)	-	(6,213,995)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>942,607</u>	<u>2,775,068</u>	<u>1,200,371</u>	<u>555,372</u>	<u>201,719</u>	<u>(182,286)</u>
	(4,044,033)	(1,201,200)	268,820	873,574	(11,808,713)	(14,861,138)
	<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>
\$	<u>22,821,034</u>	<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>
	3.76%	3.49%	4.24%	4.41%	3.48%	3.71%

Port Huron Area School District

	<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>
Net Position							
Net investment in capital assets	\$ 36,688,436	\$	40,672,979	\$	41,575,918	\$	38,932,482
Restricted:							
Debt service	1,117,588		1,459,327		1,603,041		1,959,794
Food service	1,625,102		1,398,158		1,058,746		-
Capital projects	65,349		48,553		-		-
Unrestricted	<u>12,083,825</u>		<u>14,757,453</u>		<u>17,535,526</u>		<u>19,344,296</u>
Total Net Position	<u>\$ 51,580,300</u>	<u>\$</u>	<u>58,336,470</u>	<u>\$</u>	<u>61,773,231</u>	<u>\$</u>	<u>60,236,572</u>

Source: Port Huron Area School District
 Comprehensive Annual Financial Reports
 2004 through 2013

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 37,979,587	\$ 36,294,599	\$ 35,775,316	\$ 33,918,660	\$ 33,048,951	\$ 30,094,939
1,584,114	1,371,031	1,024,228	834,320	792,785	996,008
-	-	-	-	-	-
-	-	136	149,674	346,027	693,645
<u>25,438,607</u>	<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>\$ 65,002,308</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>

Port Huron Area School District

<u>Tax Year Ended Dec. 31</u>	<u>Agricultural Property</u>	<u>Commercial Property</u>	<u>Industrial and Developmental Property</u>	<u>Residential Property</u>	<u>Personal Property</u>
2012	\$ 20,172,644	\$ 317,802,727	\$ 42,101,825	\$ 1,123,179,269	\$ 164,826,622
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

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>
\$ 1,668,083,087	20.500 (3)	\$ 3,519,540,034	47.39%	\$ 1,067,270,464	\$ 600,812,623
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

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
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
2013	2012	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.

**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	50.6982	.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
7.9522	1.8891	56.4792	.7599 to 8.0540

Port Huron Area School District

Principal Property Taxpayers (Unaudited) June 30, 2013

	2013			2004		
	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	\$ 18,657,797	1	1.12%	\$ -	-	-
SMW Automotive	16,080,900	2	0.96%	-	-	-
Mueller Brass Company	15,750,560	3	0.94%	19,487,107	2	1.18%
Acheson Ventures LLC	14,179,402	4	0.85%	9,863,090	5	0.60%
ALD Thermal	11,423,400	5	0.68%	-	-	-
Detroit Edison Co	10,288,549	6	0.62%	15,748,079	3	0.95%
HP Pelzer (Automotive Systems)	7,442,300	7	0.45%	-	-	-
Semco Energy Gas Co	5,962,685	8	0.36%	5,977,754	8	0.36%
Royal Oak Boring	4,576,900	9	0.27%	5,919,800	9	0.36%
Dunn Paper, Inc	4,539,167	10	0.27%	-	-	-
E B Eddy Paper, Inc	-	-	-	22,984,085	1	1.39%
Acheson Industries	-	-	-	10,373,985	4	0.63%
Textron Auto/Davidson Trim	-	-	-	8,843,680	6	0.53%
Lear Corporation	-	-	-	8,682,400	7	0.52%
LDM Technologies	-	-	-	5,712,766	10	0.34%
	\$ 108,901,660		6.52%	\$ 113,592,746		6.86%

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
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%	157,623	12,593,364	100.00%
2012	12,001,188	11,869,283	98.90%	15,224	11,884,507	99.03%
2013	11,326,586	11,275,323	99.55%	N/A	11,275,323	99.55%

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2004 through 2013

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
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	38,185,386	1,879,062,714	2.03%	68,586 (4)	557
2013	34,991,601	1,759,770,017	1.99%	68,104 (4)	514

(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
2004 through 2013

Port Huron Area School District

Direct and Overlapping Governmental Activities Debt (Unaudited) June 30, 2013

Direct Debt - General Obligations

\$ 34,991,601

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Direct and Overlapping Debt</u>
St. Clair County	\$ 58,481,297	31.32%	\$ 18,316,342
St. Clair County Community College	3,020,000	33.61%	1,015,022
St. Clair RESA	2,535,000	33.35%	845,423
Burtchville Township	2,085,000	71.02%	1,480,767
Clyde Township	50,000	87.62%	43,810
Fort Gratiot Township	810,000	100.00%	810,000
Kimball Township	2,243,940	75.13%	1,685,872
Port Huron Township	3,540,940	100.00%	3,540,940
City of Port Huron	79,682,252	100.00%	79,682,252
Total Overlapping Debt			<u>107,420,428</u>
Total Direct and Overlapping Debt			<u>\$ 142,412,029</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	\$ 2,091	6.25%	8.54%

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 2013

State Equalized Value	\$	1,759,770,017
Bonding Limit (15% of SEV)		263,965,503
General Obligation Bonds Outstanding		-
Legal Debt Margin	\$	<u><u>263,965,503</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>
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%
2013	263,965,503	-	263,965,503	0.00%

Source: Port Huron Area School District
Comprehensive Annual Financial Reports
2004 through 2013

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>
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
2013	600		12,423,962

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>
JPMorgan Chase Bank, N.A.	Columbus, OH		N/A
Fifth Third Bank	Cincinnati, OH		N/A
Talmer Bank and Trust	Troy, MI	\$	1,869,618
Eastern Michigan Bank	Croswell, MI		241,819
Bank of America, N.A.	Charlotte, N.C.		N/A
TCF National Bank	Wayzata, MN		N/A
Seaway Community Bank	St. Clair, MI		158,944

Source: FDIC Report UBPR for period ended June 30, 2013

Demographic and Economic Statistics (Unaudited)
June 30, 2013

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income¹</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
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	5,408,369	33,459	13.1%
2012	160,182	5,408,369	33,459	12.2%

¹ Dollars are reported in thousands

* 2012 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, 2013

Largest Employers - St. Clair County

<u>Name²</u>	<u>Industry²</u>	<u>2012²</u>			<u>2003</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	1.57%
Port Huron Area Schools ¹	Education	1,111	2	1.82%	1,462	1	2.17%
St. Clair County ¹	Government	988	3	1.62%	832	5	1.24%
DTE Energy ¹	Public Utility	915	4	1.50%	1,044	3	1.55%
Mercy Hospital ¹	Health Care	770	5	1.26%	693	6	1.03%
Meijer	Grocery/Retail	650	6	1.07%	N/A	N/A	N/A
East China School District	Education	600	7	0.98%	594	8	0.88%
AT&T	Public Utility	500	8	0.82%	459	10	0.68%
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	0.92%
Kmart Corporation	Grocery/Retail	N/A	N/A	N/A	850	4	1.26%
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 2012 St. Clair County Comprehensive Annual Financial Report-Data not surveyed in 2012; thus most recent data was used which was 2011.

Port Huron Area School District

	2004	2005	2006	2007
Supervisory				
Instructional administrators/supervisors	15	15	15	13
Noninstructional administrators	14	14	14	11
Principals	21	21	21	21
Assistant principals	14	11	11	8
Total supervisory	64	61	61	53
Instruction				
Elementary classroom teachers	329	315	305	309
Middle school classroom teachers	137	116	103	104
Secondary classroom teachers	145	138	123	122
Special Education/Added Needs	116	113	115	114
Other teachers (adult)	8	8	7	7
Aides	134	140	141	141
Total instruction	869	830	794	797
Student Services				
Guidance counselors	20	19	18	16
Psychologists/social workers	18	16	15	15
Librarians	9	7	5	5
Other professionals (noninstructional)	12	11	11	10
Technicians	8	6	7	8
Total student services	67	59	56	54
Support and Administration				
Clerical/secretarial	88	84	81	78
Service workers	8	8	8	11
Skilled crafts	6	5	6	7
Custodians	101	99	95	92
Transportation	77	80	79	80
Food service	74	71	66	56
Total support and administration	354	347	335	324
Total	1,354	1,297	1,246	1,228
Fall Student Enrollment	11,971	11,788	11,560	11,242

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

2008	2009	2010	2011	2012	2013	Percentage Change 2004-2013
13	13	11	11	10	10	-33.33%
9	9	9	9	9	10	-28.57%
21	20	18	17	17	17	-19.05%
8	9	9	9	9	9	-35.71%
<u>51</u>	<u>51</u>	<u>47</u>	<u>46</u>	<u>45</u>	<u>46</u>	-28.13%
289	290	281	241	269	261	-20.67%
103	107	104	99	97	99	-27.74%
120	119	114	104	106	100	-31.03%
117	121	111	106	107	105	-9.48%
8	12	6	6	6	8	0.00%
<u>141</u>	<u>140</u>	<u>107</u>	<u>114</u>	<u>110</u>	<u>114</u>	-14.93%
<u>778</u>	<u>789</u>	<u>723</u>	<u>670</u>	<u>695</u>	<u>687</u>	-19.80%
16	16	16	15	14	13	-35.00%
16	15	14	5	5	5	-72.22%
5	5	5	4	4	2	-77.78%
13	6	5	5	3	5	-58.33%
8	9	9	10	10	15	87.50%
<u>58</u>	<u>51</u>	<u>49</u>	<u>39</u>	<u>36</u>	<u>40</u>	-40.30%
78	75	73	64	63	64	-27.27%
11	9	8	11	13	13	62.50%
7	8	8	7	7	7	16.67%
88	89	83	49	51	48	-52.48%
78	76	62	61	-	-	-100.00%
<u>66</u>	<u>65</u>	<u>71</u>	<u>65</u>	<u>74</u>	<u>82</u>	10.81%
<u>328</u>	<u>322</u>	<u>305</u>	<u>257</u>	<u>208</u>	<u>214</u>	-39.55%
<u>1,215</u>	<u>1,213</u>	<u>1,124</u>	<u>1,012</u>	<u>984</u>	<u>987</u>	-27.10%
10,889	10,588	10,316	9,921	9,820	9,542	-20.29%

Port Huron Area School District

School Building Information (Unaudited) Last Ten Fiscal Years

Schools	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁶
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	448
Enrollment	241	257	259	244	222	222	226	211	254	279
Howard D. Crull/McKinley⁵										
Square Footage	79,179	79,179	79,179	79,179	79,179	79,179	79,179	79,179	79,179	52,367
Capacity	780	780	780	780	780	780	780	780	780	530
Enrollment	661	702	680	660	632	618	573	511	471	428
Thomas Edison										
Square Footage	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500	48,500
Capacity	580	580	580	580	580	580	580	580	580	480
Enrollment	412	424	451	446	444	429	420	427	450	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	734
Enrollment	397	414	416	392	430	453	478	487	493	461
Harrison³										
Square Footage	61,186	61,186	61,186	61,186	61,186	61,186	61,186	61,186	61,186	61,186
Capacity	480	480	480	480	480	480	480	480	480	702
Enrollment	331	283	314	324	310	302	-	195	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	510
Enrollment	373	382	386	386	372	376	396	378	376	348
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	680
Enrollment	415	432	418	417	403	431	441	430	454	440
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	510
Enrollment	279	263	259	245	221	196	433	392	395	394
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	291	284	264	271	274	272	266	238	245	248
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	509	503	526	511	481	440	462	496	450	458
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	734
Enrollment	446	437	433	431	396	377	522	517	529	502

Source: Port Huron Area School District records

¹Buildings sold during the 2009-10 school year

²Building closed at the end of the 2009-10 school year, razed during the 2011-12 school year

³Building closed as elementary in 2008-09 school year, reopened as alternative education in 2010-11 school year

⁴Building closed at the end of the 2009-10 school year, sold during the 2011-12 school year

Port Huron Area School District

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

Schools	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁶
Elementary - Cont'd.										
Sparlingville¹										
Square Footage	39,761	39,761	39,761	39,761	39,761	39,761	-	-	-	-
Capacity	400	400	400	400	400	400	-	-	-	-
Enrollment	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	790
Enrollment	455	442	409	387	389	361	484	474	475	476
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	1,199
Enrollment	795	733	747	737	676	676	693	960	909	903
Chippewa⁴										
Square Footage	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	-	-
Enrollment	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	1,039
Enrollment	717	739	702	654	671	696	670	653	633	648
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	852
Enrollment	520	482	456	450	440	415	425	613	638	635
High Schools										
Port Huron										
Square Footage	153,144	153,144	189,167	189,167	189,167	189,167	189,167	189,167	189,167	189,167
Capacity	1,860	1,860	1,920	1,920	1,920	1,920	1,920	1,920	1,920	1,941
Enrollment	1,795	1,795	1,765	1,777	1,715	1,670	1,652	1,524	1,454	1,383
Port Huron Northern										
Square Footage	162,942	162,942	201,768	201,768	201,768	201,768	201,768	201,768	201,768	201,768
Capacity	2,100	2,100	2,160	2,160	2,160	2,160	2,160	2,160	2,160	1,941
Enrollment	1,602	1,586	1,583	1,600	1,586	1,531	1,463	1,377	1,363	1,275
Other										
Port Huron South²										
Square Footage	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	-	-
Enrollment	179	178	170	164	133	195	191	-	-	-
Jefferson Adult Ed.¹										
Square Footage	25,250	25,250	25,250	25,250	25,250	25,250	-	-	-	-
Capacity	375	375	375	375	375	375	-	-	-	-
Enrollment	181	223	202	162	195	-	-	-	-	-

⁵Beginning 2013 Howard D Crull/McKinley only reflects HD Crull square footage, as there are no longer students in McKinley

⁶Beginning 2013 building capacity updated to reflect facility study and PHASD teacher contract language

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Port Huron Area School District

Operating Indicators (Unaudited) Last Ten Fiscal Years

Fiscal Year Ended June 30	Fall Student Count	Total General Fund Expenses ¹	Cost per Pupil	Percentage Change	Pupil Teacher Ratio ²
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%	24
2013	9,542	90,801,256	9,516	2.19%	N/A

Sources:

¹ Port Huron Area School District
Comprehensive Annual Financial Reports
2004 through 2013

² State of Michigan Bulletin 1014 (Information not available for 2012/13)

Port Huron Area School District

Year	Bachelor Minimum	Bachelor Maximum	# of Staff	Bachelor Average Salary	Masters Minimum	Masters Maximum	# of Staff	Masters Average Salary
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
2013	36,044	66,085	109	45,865	39,304	71,972	236	63,932

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
\$ 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
41,530	77,501	246	73,297	46,518	81,411	3	68,904

Port Huron Area School District

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

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Charge Per Lunch to Students:					
Regular - Elementary	\$ 1.35	\$ 1.35	\$ 1.30	\$ 1.30	\$ 1.30
Regular - Middle School	1.60	1.60	1.50	1.50	1.50
Regular - High School	1.60	1.60	1.55	1.55	1.55
Reduced	0.40	0.40	0.40	0.40	0.40
Charge Per Lunch to Adults	\$ 3.00	\$ 3.00	\$ 2.45	\$ 2.45	\$ 2.35
Number of Days Served	171	174	173	173	169
Number of Free Lunches Served	740,335	718,810	558,542	603,709	533,753
Percent of Total Lunches Served	78.60%	72.48%	62.72%	61.27%	55.39%
Average Number of Free Lunches Served Daily	4,329	4,131	3,229	3,490	3,158
Number of Paid Lunches Served at Reduced Price	23,798	28,797	53,294	63,081	82,851
Percent of Total Lunches Served	2.53%	2.90%	5.98%	6.40%	8.60%
Number of Paid Lunches Served at Regular Price	177,719	244,072	278,744	318,508	347,044
Percent of Total Lunches Served	18.87%	24.61%	31.30%	32.33%	36.01%
Average Number of Paid Lunches Served Daily:					
At Reduced Price	139	166	308	365	490
At Regular Price	1,039	1,403	1,611	1,841	2,054
Total Number of Lunches Served	941,852	991,679	890,580	985,298	963,648
Average Number of Lunches Served Daily	5,507	5,699	5,148	5,695	5,702

Source: SM-4012-School Lunch Reimbursement Claim Form

Port Huron Area School District

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

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Pupil Transportation ¹					
Estimated Number of Pupils Transported Daily	4,399	4,441	4,826	5,150	5,540
Average Number of Buses in Daily Operation	65	64	65	70	72
Estimated Miles Traveled Transporting Students	757,512	912,743	892,080	982,700	1,116,720
High School Graduates					
Day School	538	560	577	667	693
Adult Education ²	234	243	244	304	298

¹ SE-4094 Transportation Expenditure Report

² Includes General Education Development Certificates

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