
Port Huron Area School District

**Federal Awards
Supplemental Information
June 30, 2018**

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Education
Port Huron Area School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Huron Area School District (the "School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated October 4, 2018, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 4, 2018.

The accompanying schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis, as required by the Uniform Guidance, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

October 4, 2018

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Huron Area School District (the "School District") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 4, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

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

Plante & Moran, PLLC

October 4, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Education
Port Huron Area School District

Report on Compliance for Each Major Federal Program

We have audited Port Huron Area School District's (the "School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2018. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

To the Board of Education
Port Huron Area School District

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

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

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

Plante & Moran, PLLC

October 4, 2018

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	CFDA Number	Project/Grant Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2017	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2018	Total Amount Provided to Subrecipients
Clusters:										
Child Nutrition Cluster:										
U.S. Department of Agriculture - Passed through the Michigan Department of Education:										
Noncash Assistance (Commodities):										
National School Lunch Program: Entitlement Commodities	10.555		\$ 381,522	\$ -	\$ -	\$ -	\$ 381,522	\$ 381,522	\$ -	\$ -
Bonus Commodities			-	-	-	-	-	-	-	-
National School Lunch Program Non-Cash Assistance Subtotal			381,522	-	-	-	381,522	381,522	-	-
Cash Assistance -										
National School Lunch Program:	10.555									
2016-17 Lunch		1617	2,428,034	2,428,034	129,824	-	129,824	-	-	-
2016-17 Snacks		1617	24,731	24,731	1,183	-	1,183	-	-	-
2017-18 Lunch		1718	2,290,098	-	-	-	2,186,423	2,290,098	103,675	-
2017-18 Snacks		1718	18,417	-	-	-	17,651	18,417	766	-
National School Lunch Program Cash Assistance Subtotal			4,761,280	2,452,765	131,007	-	2,335,081	2,308,515	104,441	-
Total National School Lunch Program (incl. commodities)			5,142,802	2,452,765	131,007	-	2,716,603	2,690,037	104,441	-
Cash Assistance:										
National School Breakfast Program 2016-17	10.553	1617	1,181,817	1,181,817	63,510	-	63,510	-	-	-
National School Breakfast Program 2017-18	10.553	1718	1,052,943	-	-	-	999,739	1,052,943	53,204	-
Total National School Breakfast Program			2,234,760	1,181,817	63,510	-	1,063,249	1,052,943	53,204	-
Summer Food Service Program:										
2016-17	10.559	1617	59,776	59,776	6,692	-	6,692	-	-	-
2017-18		1718	58,694	-	-	-	52,196	58,694	6,498	-
Total Summer Food Service Program			118,470	59,776	6,692	-	58,888	58,694	6,498	-
Total Child Nutrition Cluster			7,496,032	3,694,358	201,209	-	3,838,740	3,801,674	164,143	-

Port Huron Area Schools

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	CFDA Number	Project/Grant Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2017	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2018	Total Amount Provided to Subrecipients
Clusters (continued):										
Special Education Cluster:										
U.S. Department of Education:										
Passed through the St. Clair County										
RESA - IDEA:										
Special Education - Grants to States (IDEA, Part B):										
IDEA, Part B:										
	84.027									
Project number 160450-1516 C/O		160450-1516 C/O	\$ 277,759	\$ 277,759	\$ 92,613	\$ -	\$ 92,613	\$ -	\$ -	\$ -
Project number 170450-1617		170450-1617	2,005,913	1,638,124	432,997	-	432,997	-	-	-
Project number 170450-1617 C/O		170450-1617 C/O	367,789	-	-	-	141,436	347,681	206,245	-
Project number 180450-1718		180450-1718	2,004,897	-	-	-	1,279,685	1,886,545	606,860	-
Subtotal IDEA, Part B			4,656,358	1,915,883	525,610	-	1,946,731	2,234,226	813,105	-
Special Education - Preschool Grants (IDEA Preschool) -										
IDEA Preschool:										
	84.173									
Project number 160460-1516 C/O		160460-1516 CO	5,571	5,571	1,942	-	1,942	-	-	-
Project number 170460-1617		170460-1617	51,533	47,414	10,026	-	10,026	-	-	-
Project number 170460-1617 C/O		170460-1617 C/O	4,119	-	-	-	3,095	4,119	1,024	-
Project number 180460-1718		180460-1718	61,391	-	-	-	41,617	61,391	19,774	-
Subtotal IDEA Preschool			122,614	52,985	11,968	-	56,680	65,510	20,798	-
Total Special Education Cluster			4,778,972	1,968,868	537,578	-	2,003,411	2,299,736	833,903	-
Medicaid Cluster -										
U.S. Department of Health and Human Services -										
Passed through the St. Clair County RESA -										
Medicaid Administrative Outreach:										
	93.778									
2016-2017		2016-2017	23,833	23,883	8,106	-	8,106	-	-	-
2017-2018		2017-2018	15,642	-	-	-	11,935	15,642	3,707	-
Total Medicaid Cluster			39,475	23,883	8,106	-	20,041	15,642	3,707	-
Other Federal Awards:										
U.S. Department of Education:										
Passed through the Michigan Department of Education:										
Title I, Part A:										
	84.010									
Project number 171530/1617		171530/1617	3,149,839	2,793,533	651,826	(3)	651,823	-	-	-
Project number 181530/1718		181530/1718	3,082,522	-	-	-	2,115,001	2,734,140	619,139	-
Total Title I, Part A			6,232,361	2,793,533	651,826	(3)	2,766,824	2,734,140	619,139	-

Port Huron Area Schools

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	CFDA Number	Project/Grant Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2017	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued (Deferred) Revenue at June 30, 2018	Total Amount Provided to Subrecipients
Other Federal Awards (Continued):										
U.S. Department of Education:										
Title II, Part A Improving Teacher Quality:	84.367									
Project number 170520/1617		170520/1617	\$ 1,177,092	\$ 915,703	\$ 157,442	\$ -	\$ 157,442	\$ -	\$ -	\$ -
Project number 180520/1718		180520/1718	792,645	-	-	-	285,780	348,032	62,252	-
Total Title II, Part A Improving Teacher Quality			1,969,737	915,703	157,442	-	443,222	348,032	62,252	-
Title III, Part A Immigrant Students - 180570-1718	84.365	180570-1718	3,581	-	-	-	494	2,286	1,792	-
Title IV Part A - 180750-1718	84.424	180750-1718	41,812	-	-	-	18,455	24,407	5,952	-
21st Century Community Learning Center:										
Project number 172110 H13049	84.287	172110 H13049	675,000	662,253	109,030	-	109,030	-	-	-
Project number 172110 I14017		172110 I14017	270,000	260,109	43,588	-	43,588	-	-	-
Project number 172110 I14020		172110 I14020	340,356	302,487	55,050	-	55,050	-	-	-
Project number 182110 H13049		182110 H13049	675,000	-	-	-	542,396	644,703	102,307	-
Project number 182110 I14017		182110 I14017	270,000	-	-	-	221,813	259,837	38,024	-
Project number 182110 I14020		182110 I14020	340,356	-	-	-	281,288	328,492	47,204	-
Total 21st Century Community Learning Center			2,570,712	1,224,849	207,668	-	1,253,165	1,233,032	187,535	-
Adult Education:										
Project number 171130 171087	84.002	117130 171087	65,195	65,195	6,884	-	6,884	-	-	-
Project number 181130 181087		181130 181087	87,000	-	-	-	69,429	87,000	17,571	-
Total Adult Education			152,195	65,195	6,884	-	76,313	87,000	17,571	-
Child Care Food Program:										
2016-2017	10.558	2016-2017	157,740	157,740	25,078	(17,898)	7,180	-	-	-
2017-2018		2017-2018	155,311	-	-	-	148,950	155,311	6,361	-
Total Child Care Food Program			313,051	157,740	25,078	(17,898)	156,130	155,311	6,361	-
Total noncluster programs passed through the Michigan Department of Education										
			11,283,449	5,157,020	1,048,898	(17,901)	4,714,603	4,584,208	900,602	-
U.S. Department of Health and Human Services - Passed through the Macomb ISD:										
Title III Limited English Proficient Funds - 170580-1617	84.365A	170580-1617	12,415	6,365	3,003	-	3,003	-	-	-
Title III Immigrant Funds - 170570-1617		170570-1617	3,099	1,954	1,954	-	1,954	-	-	-
Title III Limited English Proficient Funds - 180580-1718		180580-1718	11,978	-	-	-	3,428	6,814	3,386	-
Total Title III			27,492	8,319	4,957	-	8,385	6,814	3,386	-
Total federal awards			\$ 23,625,420	\$ 10,852,448	\$ 1,800,748	\$ (17,901)	\$ 10,585,180	\$ 10,708,074	\$ 1,905,741	\$ -

See notes to schedule of expenditures of federal awards.

Port Huron Area School District

**Reconciliation of Basic Financial Statements Federal Revenue
with Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2018

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 10,690,173
Deficit on reimbursement-based projects	<u>17,901</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 10,708,074</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Port Huron Area School District (the "School District") under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The School District has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

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

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
• Material weakness(es) identified?
• Significant deficiency(ies) identified that are not considered to be material weaknesses?
Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:
• Material weakness(es) identified?
• Significant deficiency(ies) identified that are not considered to be material weaknesses?
Type of auditor's report issued on compliance for major programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

Identification of major programs:

Table with 2 columns: CFDA Number, Name of Federal Program or Cluster. Row 1: 10.553, 10.555, 10.559, Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low-risk auditee? X Yes

Section II - Financial Statement Audit Findings

Current Year None

Section III - Federal Program Audit Findings

Current Year None