

**ST. CLAIR COUNTY  
INTERVENTION ACADEMY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2014**



**ST. CLAIR COUNTY INTERVENTION ACADEMY**

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JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
St. Clair County Intervention Academy  
Port Huron, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the agency fund of St. Clair County Intervention Academy (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Academy'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 Academy'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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund and the agency fund of the St. Clair County Intervention Academy, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

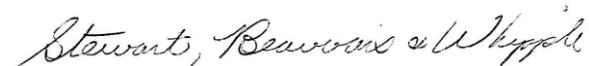
## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 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 who 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 supplementary 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 on our consideration of St. Clair County Intervention Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 St. Clair County Intervention Academy's internal control over financial reporting and compliance.

  
Certified Public Accountants

October 22, 2014

# ST. CLAIR COUNTY INTERVENTION ACADEMY

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## Management's Discussion and Analysis

This section of St. Clair County Intervention Academy's (the Academy) annual financial report presents our discussion and analysis of the Academy's performance during the year ended June 30, 2014. Please read in conjunction with the Academy's financial statements, which immediately follow this section.

### USING THIS ANNUAL REPORT

The Academy's financial statements are presented as a "special purpose unit" since it is engaged to provide a single program, namely to teach adjudicated students. As a result the fund financial statements and the district-wide financial statements are combined by using a columnar format that reconciles individual line items of the fund financial data to the district-wide data in a separate column. These statements are organized so the reader can understand the Academy financially as a whole. These statements are comprised of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

#### Reporting the Academy as a Whole – District-wide Financial Statements.

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities report information on the Academy as a whole and its activities in a way that helps 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 revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating result. However, the Academy'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 students and faculty, to assess the overall health of the Academy.

#### Reporting the Academy's Fund Financial Statements

Unlike the district-wide financial statements, the General Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the amount of spendable resources available at the end of the year. Such information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the General Fund financial statements in reconciliations presented in the notes to the financial statements.

## FINANCIAL HIGHLIGHTS

### The Academy As A Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table I provides a summary of the Academy's net position as of June 30, 2014 and 2013:

**Table I**

	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 885,919	\$ 782,685
Capital assets	<u>60,864</u>	<u>65,004</u>
Total Assets	<u>946,783</u>	<u>847,689</u>
Liabilities		
Current liabilities	<u>39,134</u>	<u>57,042</u>
Net Position		
Investment in capital assets	60,864	65,004
Unrestricted	<u>846,785</u>	<u>725,643</u>
Total Net Position	<u>\$ 907,649</u>	<u>\$ 790,647</u>

The above analysis focuses on the net position (see Table I). The change in net position (see Table II) of the Academy's governmental activities is discussed below. The Academy's net position was \$907,649 at June 30, 2014, which represents the accumulated results of all past years of operations. Capital assets of \$60,864 represent the original costs of the assets less accumulated depreciation. The remaining net position of \$846,785 is unrestricted.

The results of this year's operations for the Academy are reported in the statement of activities (see Table II), which shows the changes in net position for fiscal years 2014 and 2013.

**Table II**

	<u>2014</u>	<u>2013</u>
Revenues		
Local sources	\$ 495	\$ 1,745
State sources	556,650	489,139
Federal sources	228,171	227,820
Interdistrict sources	<u>24,647</u>	<u>11,705</u>
Total Revenues	<u>809,963</u>	<u>730,409</u>
Expenses		
Instruction	358,075	370,720
Supporting services	296,862	276,650
Depreciation Expense	<u>38,024</u>	<u>32,627</u>
Total Expenses	<u>692,961</u>	<u>679,997</u>
Change in Net Position	<u>\$ 117,002</u>	<u>\$ 50,412</u>

The Academy experienced an increase in net position of \$117,002. A majority of this increase is due to additional State funding for strict discipline academies available during 2014.

## **The Academy's Funds**

As noted earlier, the focus of the General Fund financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Looking at the General Fund financial information helps the reader consider whether the Academy is being accountable for the resources it has been provided and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the Academy reported an ending fund balance of \$846,785 an increase of \$121,142 over 2013 due to additional State revenue not expected. Of the fund balance, \$42,933 was nonspendable for prepaids, \$19,295 was assigned for use in the 2015 year (budgeted shortfall), with the remaining unassigned amount of \$784,557.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Academy revises its budget as it attempts to deal with the changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements. Significant changes to the original budget were as follows:

- The final amended budgeted revenue was higher than the original budget by \$121,044. The increase was a result of increased State funding available.
- The final amended budgeted expenditures were more than the original budget by \$97,763 due to additional equipment purchases.

## **CAPITAL ASSETS**

At June 30, 2014, the Academy had \$214,868 invested in equipment before depreciation. This amount represents an increase of \$33,884 from the prior year as a result of additional computers purchased.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the 2014-2015 school year, the foundation allowance budget is being based on 65 students with revenues under expenditures of \$19,295 expected.

## **CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Academy's grantors, customers and investors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 7877 Stead, Utica, MI 48317 or at (586) 731-5300.

**ST. CLAIR COUNTY INTERVENTION ACADEMY**

**BALANCE SHEET/STATEMENT OF NET POSITION**

**JUNE 30, 2014**

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Governmental Activities</u>
<b>Assets:</b>			
Cash	\$ 463,524	\$ -	\$ 463,524
Due from other governmental units	379,462	-	379,462
Prepays	42,933	-	42,933
Capital assets (net of accumulated depreciation)			
Assets being depreciated	<u>-</u>	<u>60,864</u>	<u>60,864</u>
Total Assets	<u><u>\$ 885,919</u></u>	<u><u>60,864</u></u>	<u><u>946,783</u></u>
<b>Liabilities:</b>			
Accounts payable	<u>\$ 39,134</u>	<u>-</u>	<u>39,134</u>
<b>Fund Balance:</b>			
Nonspendable - Prepays	42,933	( 42,933)	-
Assigned - 2015 budget appropriation	19,295	( 19,295)	-
Unassigned	<u>784,557</u>	<u>( 784,557)</u>	<u>-</u>
Total Fund Balance	<u>846,785</u>	<u>( 846,785)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 885,919</u></u>		
<b>Net Position:</b>			
Investment in capital assets		60,864	60,864
Unrestricted		<u>846,785</u>	<u>846,785</u>
Total Net Position		<u><u>\$ 907,649</u></u>	<u><u>\$ 907,649</u></u>

The accompanying notes are an integral part of these financial statements.



**ST. CLAIR COUNTY INTERVENTION ACADEMY**

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Governmental Activities</u>
<b>Revenues:</b>			
Local sources	\$ 495	\$ -	\$ 495
State sources	556,650	-	556,650
Federal sources	228,171	-	228,171
Interdistrict sources	24,647	-	24,647
Total Revenues	<u>809,963</u>	<u>-</u>	<u>809,963</u>
<b>Expenditures/Expenses:</b>			
Instruction	391,959	( 33,884)	358,075
Support services	296,862	-	296,862
Depreciation expense	-	38,024	38,024
Total Expenditures/Expenses	<u>688,821</u>	<u>4,140</u>	<u>692,961</u>
Net Change in Fund Balance/Net Position	121,142	( 4,140)	117,002
Fund Balance/Net Position at beginning of year	<u>725,643</u>	<u>65,004</u>	<u>790,647</u>
Fund Balance/Net Position at end of year	<u><u>\$ 846,785</u></u>	<u><u>\$ 60,864</u></u>	<u><u>\$ 907,649</u></u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR COUNTY INTERVENTION ACADEMY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>				
Local sources	\$ 6,000	\$ 700	\$ 495	\$( 205)
State sources	147,900	433,820	556,650	122,830
Federal sources	376,300	216,724	228,171	11,447
Interdistrict sources	<u>-</u>	<u>-</u>	<u>24,647</u>	<u>24,647</u>
Total Revenues	<u>530,200</u>	<u>651,244</u>	<u>809,963</u>	<u>158,719</u>
<b>Expenditures:</b>				
Instruction -				
Added needs	307,148	387,812	391,959	( 4,147)
Support services -				
Pupil	500	500	-	500
Instructional staff	139,632	160,104	145,012	15,092
General administration	10,500	8,650	7,595	1,055
Business	117,250	116,177	113,736	2,441
Operation and maintenance	<u>33,000</u>	<u>32,550</u>	<u>30,519</u>	<u>2,031</u>
Total Expenditures	<u>608,030</u>	<u>705,793</u>	<u>688,821</u>	<u>16,972</u>
Net Change in Fund Balance	( 77,830)	( 54,549)	121,142	175,691
Fund Balance at beginning of year	<u>725,643</u>	<u>725,643</u>	<u>725,643</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 647,813</u>	<u>\$ 671,094</u>	<u>\$ 846,785</u>	<u>\$ 175,691</u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR COUNTY INTERVENTION ACADEMY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITIES**  
**JUNE 30, 2014**

**Assets:**

Cash

\$ 1,055

**Liabilities:**

Due to student groups

\$ 1,055

The accompanying notes are an integral part of these financial statements.

# ST. CLAIR COUNTY INTERVENTION ACADEMY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. Financial Reporting Entity -

St. Clair County Intervention Academy (the Academy) was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on June 24, 2004.

In connection, the Academy has entered into a contract with the Port Huron Area School District beginning July 1, 2012 through June 30, 2017 that can be renewed for an additional five (5) years. The contract requires the Academy to act exclusively as a governmental agency and to not undertake any actions inconsistent with its status as an entity authorized to receive State School Aid funds pursuant to the State Constitution. The Port Huron Area School District Board of Education is the chartering agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws.

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. This criteria includes significant operational financial relationships that determine which of the governmental organizations are part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. Based on this criteria the Academy had no component units.

#### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation -

The district-wide financial statements column (i.e., statement of net position and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund, a type of fiduciary fund, is unlike all other types of funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables/payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The General Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they can be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they can be normally 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.

Unrestricted State Aid, intergovernmental grants, and interest associated with the current period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

# ST. CLAIR COUNTY INTERVENTION ACADEMY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance -

**Cash** - The Academy's cash is cash on hand, savings, and demand deposits.

**Receivables** - All receivables are shown net of allowance for uncollectible accounts. At June 30, 2014 there is no allowance for uncollectible accounts.

**Prepays** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in the district-wide financial statements and in the General Fund financial statements.

**Capital Assets** - Capital assets consist of furniture and other equipment and are recorded in the district-wide financial statements. Capital assets are defined by the Academy as assets with an estimated useful life in excess of one year and an initial individual cost of \$2,000 or more with the exception of computers, which are capitalized without consideration of a minimum cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at historical cost or estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The furniture and equipment are depreciated on a straight-line method over the estimated useful life of 3-10 years.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the balance sheet 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 (expenses/expenditures) until then. The Academy does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the balance sheet 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) so will not be recognized as an inflow of resources (revenues) until that time. The Academy does not currently have any items that qualify for reporting in this category.

#### **Fund Balance -**

In the General Fund financial statements, fund balance is reported in one or more of the following classifications:

*Nonspendable fund balance* – the portion of fund balance that is not in a spendable form or is required to be maintained intact.

*Restricted fund balance* – the portion of fund balance that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

*Committed fund balance* – the portion of fund balance that is set aside for a specific purpose by the Academy itself, using the highest level of decision-making authority (Board of Trustees) by the passage of a resolution.

**ST. CLAIR COUNTY INTERVENTION ACADEMY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

*Assigned fund balance* – the portion of fund balance that reflects the Academy’s intended use of resources; currently, the Board of Trustees has the ability to set aside funds.

*Unassigned fund balance* – the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Academy’s policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

**Estimates** - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - RECONCILIATIONS OF DISTRICT-WIDE AND GENERAL FUND FINANCIAL STATEMENTS:**

**A.** Explanation of differences between the balance sheet and the district-wide statement of net position (Page 6).

Fund Balance – General Fund	\$ 846,785
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund	
Add – capital assets	214,868
Deduct – accumulated depreciation	<u>( 154,004)</u>
Net Position	<u>\$ 907,649</u>

**B.** Explanation of differences between the statement of revenues, expenditures, and change in fund balance of the General Fund and the district-wide statement of activities (Page 7).

Net Change in Fund Balance – General Fund	\$ 121,142
The governmental fund statements report capital outlay as expenditures; however, in the district-wide Statement of Net Position the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses	
Add - capital outlay	33,884
Deduct - depreciation	<u>( 38,024)</u>
Change in Net Position	<u>\$ 117,002</u>

**ST. CLAIR COUNTY INTERVENTION ACADEMY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Budgets -**

The Academy's Chief Administrative Officer and Business Manager prepare and submit the proposed operating budget prior to June 1, for the fiscal year commencing July 1. Prior to June 30, the proposed budget is presented to the Board of Trustees. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is legally enacted through the passage of a Board Resolution. After the budget is adopted, all amendments must be approved by the Board of Trustees.

The budget is adopted and shown in the basic financial statements at the functional level on a basis consistent with U.S. generally accepted accounting principles. Expenditures at these legally adopted levels in excess of the amounts budgeted are a violation of the Budgetary Act. The Academy was over budget in one area as reported on page 8. The Academy does not employ encumbrance accounting as an extension of formal budgetary integration. All amounts appropriated lapse at year end.

**NOTE 4 - DEPOSITS AND INVESTMENTS:**

**Custodial Credit Risk - Deposits -**

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The Academy does not have a deposit policy for custodial credit risk.

At June 30, 2014, the carrying amount of the Academy's deposits was \$464,179 and the bank balance was \$468,880, all of which was covered by the Depository Insurance. In addition, the Academy has \$400 of petty cash.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity of the Academy for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Furniture and Equipment	\$ 180,984	\$ 33,884	\$ -	\$ 214,868
Less - depreciation	( 115,980)	( 38,024)	-	( 154,004)
Total capital assets, net depreciation	<u>\$ 65,004</u>	<u>\$( 4,140)</u>	<u>\$ -</u>	<u>\$ 60,864</u>

Depreciation expense was \$38,024 for the year ended June 30, 2014.

**NOTE 6 - RISK MANAGEMENT:**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The Academy has purchased commercial insurance for each of these types of losses, however, the Academy would be responsible should the limits of coverage be exceeded.

**ST. CLAIR COUNTY INTERVENTION ACADEMY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 7 - ADMINISTRATION/OPERATIONAL CONTRACT(S) AND RELATED PARTY  
TRANSACTIONS:**

The Academy pays Port Huron Area School District three percent of state aid as administrative fees. The total administrative fees paid were \$15,628 for the year ended June 30, 2014.

In June 2012, the Academy entered into an agreement with The Romine Group, Inc. to provide a variety of services including financial management, educational programs, education consulting, and teacher training. The Academy is obligated to pay The Romine Group, Inc. \$90,000 for financial management plus the cost of providing educational services. For the year ended June 30, 2014, the total expended for these services was \$90,000 for financial management services and \$385,690 for educational services. Of the amounts expended, \$29,967 was payable at June 30, 2014.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

To the Board of Trustees  
St. Clair County Intervention Academy  
Port Huron, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund, and the agency fund of St. Clair County Intervention Academy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise St. Clair County Intervention Academy's basic financial statements, and have issued our report thereon dated October 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Clair County Intervention Academy'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 St. Clair County Intervention Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Clair County Intervention Academy's internal control.

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Stewart, Berwick & Whipple*  
Certified Public Accountants

October 22, 2014

## AUDIT COMMUNICATION LETTER

October 22, 2014

To the Board of Trustees  
St. Clair County Intervention Academy  
Port Huron, Michigan

We have audited the financial statements of the governmental activities, the General Fund, and the agency fund of St. Clair County Intervention Academy (the Academy) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant policies used by St. Clair County Intervention Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities' financial statements was:

Management's estimate for depreciation, which is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 22, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

In the Report on Internal Control Over Financial Reporting and on Compliance and other Matters, which is presented in the Annual Financial Statements, we did not identify any deficiencies in internal control over financial reporting and compliance that we consider to be a material weakness.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restriction on Use**

This information is intended solely for the use of the Board and management of St. Clair County Intervention Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Board of St. Clair County Intervention Academy.

*Stewart, Beauvais & Whipple*  
Certified Public Accountants