

**ST. CLAIR COUNTY
INTERVENTION ACADEMY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017**



ST. CLAIR COUNTY INTERVENTION ACADEMY

**TABLE OF CONTENTS
JUNE 30, 2017**

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Balance Sheet/Statement of Net Position	6
Statement of General Fund Revenues, Expenditures, and Change in Fund Balance/Statement of Activities	7
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - General Fund	8
Statement of Fiduciary Assets and Liabilities - Agency Fund	9
Notes to Financial Statements	10
Other Reports:	
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 <i>Government Auditing Standards</i>	15

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, 2017 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 judgement, 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 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, 2017 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, as listed 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 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 16, 2017 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 16, 2017

ST. CLAIR COUNTY INTERVENTION ACADEMY

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, 2017. 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 liabilities, 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, 2017 and 2016:

Table I

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 1,071,834	\$ 1,125,045
Capital assets	<u>18,890</u>	<u>19,414</u>
Total Assets	<u>1,090,724</u>	<u>1,144,459</u>
Liabilities		
Current liabilities	<u>16,732</u>	<u>39,155</u>
Net Position		
Investment in capital assets	18,890	19,414
Unrestricted	<u>1,055,102</u>	<u>1,085,890</u>
Total Net Position	<u>\$ 1,073,992</u>	<u>\$ 1,105,304</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 \$1,073,992 at June 30, 2017, which represents the accumulated results of all past years of operations. Capital assets of \$18,890 represent the original costs of the capital assets less accumulated depreciation. The remaining net position of \$1,055,102 is unrestricted.

The results of the operations of the Academy are reported in the statement of activities (see Table II), which shows the changes in net position for fiscal years 2017 and 2016.

Table II

	<u>2017</u>	<u>2016</u>
Revenues		
Local sources	\$ 699	\$ 379
State sources	509,188	694,040
Federal sources	171,812	146,452
Interdistrict sources	<u>3,217</u>	<u>18,244</u>
Total Revenues	<u>684,916</u>	<u>859,115</u>
Expenses		
Instruction	382,802	372,685
Supporting services	317,906	310,511
Depreciation	<u>15,520</u>	<u>29,263</u>
Total Expenses	<u>716,228</u>	<u>712,459</u>
Change in Net Position	<u>\$(31,312)</u>	<u>\$ 146,656</u>

The Academy experienced a decrease in net position of \$31,312 mainly due to the lack of State appropriation of revenues for strict discipline academies.

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 \$1,055,102, a decrease of \$30,788 from 2016 due primarily to a decrease of State revenue. Of the fund balance, \$12,288 was nonspendable for prepaids, with the remaining unassigned amount of \$1,042,814.

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 lower than the original budget by \$32,904. The decrease was primarily a result of decreased State funding available for strict discipline academies.
- The final amended budgeted expenditures were more than the original budget by \$27,841 due to additional instructional services provided.

CAPITAL ASSETS

At June 30, 2017, the Academy had \$252,548 invested in equipment before depreciation. This amount represents an increase of \$14,996 from the prior year as a result of additional computers purchased.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2017-2018 school year, the foundation allowance budget is being based on 66 students with revenues over expenditures of \$3,091. The 2017-2018 revenues and expenditures are projected to remain relatively the same as the current year ended June 30, 2017.

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, 2017

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Governmental Activities</u>
Assets:			
Cash	\$ 790,178	\$ -	\$ 790,178
Due from other governmental units	269,368	-	269,368
Prepays	12,288	-	12,288
Capital assets (net of accumulated depreciation)			
Assets being depreciated	<u>-</u>	<u>18,890</u>	<u>18,890</u>
Total Assets	<u><u>\$ 1,071,834</u></u>	<u><u>18,890</u></u>	<u><u>1,090,724</u></u>
Liabilities:			
Accounts payable	<u>\$ 16,732</u>	<u>-</u>	<u>16,732</u>
Fund Balance:			
Nonspendable - Prepays	12,288	(12,288)	-
Unassigned	<u>1,042,814</u>	<u>(1,042,814)</u>	<u>-</u>
Total Fund Balance	<u>1,055,102</u>	<u>(1,055,102)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,071,834</u></u>		
Net Position:			
Investment in capital assets		18,890	18,890
Unrestricted		<u>1,055,102</u>	<u>1,055,102</u>
Total Net Position		<u><u>\$ 1,073,992</u></u>	<u><u>\$ 1,073,992</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, 2017**

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Governmental Activities</u>
Revenues:			
Local sources	\$ 699	\$ -	\$ 699
State sources	509,188	-	509,188
Federal sources	171,812	-	171,812
Interdistrict sources	3,217	-	3,217
Total Revenues	<u>684,916</u>	<u>-</u>	<u>684,916</u>
Expenditures/Expenses:			
Instruction	397,798	(14,996)	382,802
Support services	317,906	-	317,906
Depreciation expense	-	15,520	15,520
Total Expenditures/Expenses	<u>715,704</u>	<u>524</u>	<u>716,228</u>
Net Change in Fund Balance/Net Position	(30,788)	(524)	(31,312)
Fund Balance/Net Position at beginning of year	<u>1,085,890</u>	<u>19,414</u>	<u>1,105,304</u>
Fund Balance/Net Position at end of year	<u><u>\$ 1,055,102</u></u>	<u><u>\$ 18,890</u></u>	<u><u>\$ 1,073,992</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:				
Local sources	\$ 300	\$ 650	\$ 699	\$ 49
State sources	541,726	509,189	509,188	(1)
Federal sources	155,931	171,812	171,812	-
Interdistrict sources	<u>17,000</u>	<u>402</u>	<u>3,217</u>	<u>2,815</u>
Total Revenues	<u>714,957</u>	<u>682,053</u>	<u>684,916</u>	<u>2,863</u>
Expenditures:				
Instruction -				
Added needs	374,324	413,015	397,798	15,217
Support services -				
Pupil	19,972	3,845	3,156	689
Instructional staff	163,528	169,455	167,034	2,421
General administration	9,900	10,900	9,406	1,494
Business	113,772	111,622	109,058	2,564
Operation and maintenance	<u>30,300</u>	<u>30,800</u>	<u>29,252</u>	<u>1,548</u>
Total Expenditures	<u>711,796</u>	<u>739,637</u>	<u>715,704</u>	<u>23,933</u>
Net Change in Fund Balance	3,161	(57,584)	(30,788)	26,796
Fund Balance at beginning of year	<u>1,085,890</u>	<u>1,085,890</u>	<u>1,085,890</u>	-
Fund Balance at end of year	<u>\$ 1,089,051</u>	<u>\$ 1,028,306</u>	<u>\$ 1,055,102</u>	<u>\$ 26,796</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, 2017

Assets:

Cash

\$ 1,345

Liabilities:

Due to student groups

\$ 1,345

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

ST. CLAIR COUNTY INTERVENTION ACADEMY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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, 2022. 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, 2017**

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, 2017, 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, 2017**

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	\$ 1,055,102
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the General Fund	
Add - capital assets	252,548
Deduct - accumulated depreciation	<u>(233,658)</u>
Net Position	<u>\$ 1,073,992</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	\$(30,788)
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	14,996
Deduct - depreciation	<u>(15,520)</u>
Change in Net Position	<u>\$(31,312)</u>

ST. CLAIR COUNTY INTERVENTION ACADEMY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

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 did not incur expenditures in excess of amounts appropriated. The Academy does not employ encumbrance accounting as an extension of formal budgetary integration. All amounts appropriated lapse at year end.

NOTE 4 - DEPOSITS:

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, 2017, the carrying amount of the Academy's deposits was \$791,123 and the bank balance was \$815,036, of which \$497,397 was insured and the remaining \$317,639 was uninsured and uncollateralized. 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, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Furniture and Equipment	\$ 237,552	\$ 14,996	\$ -	\$ 252,548
Less - depreciation	(218,138)	(15,520)	-	(233,658)
Total capital assets, net depreciation	\$ 19,414	\$(524)	\$ -	\$ 18,890

Depreciation expense was \$15,520 for the year ended June 30, 2017.

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, 2017

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 \$13,781 for the year ended June 30, 2017.

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, 2017, the total expended for these services was \$90,000 for financial management services and \$448,085 for educational services. Of the amounts expended, \$13,937 was payable at June 30, 2017.

**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, 2017 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 16, 2017.

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.



Certified Public Accountants

October 16, 2017