

December 18, 2013

To the Honorable Judges
District Court No. 40

We have audited the financial statements of the District Court Funds of District Court No. 40, City of St. Clair Shores, Michigan (the "District Court") as of and for the year ended June 30, 2013 and have issued our report thereon dated December 18, 2013. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged With Governance

Section I includes any deficiencies we observed in the government's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the government's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Honorable Judges of the District Court.

We would like to take this opportunity to thank the District Court's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Honorable Mayor of the City of St. Clair Shores, Michigan, the City Council, and the Honorable Judges and management of District Court No. 40 and is not intended to be and should not be used by anyone other than these specified parties.

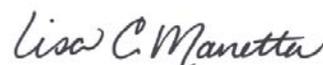
We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



David W. Herrington



Lisa C. Manetta

Section I - Communications Required Under AU 265

In planning and performing our audit of the financial statements of District Court No. 40 as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the government's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

We consider the following deficiencies in the District Court's internal control to be material weaknesses:

- **Bond and Trust and Agency Subsidiary Ledger Reconciliation**

During the year ended June 30, 2013, we noted unreconciled differences between the bond bank account and subsidiary ledger (open bond listing) and the trust and agency account and the trust/restitution subsidiary ledger (open trust and restitution fee listing). During prior years and the current year, the District Court began updating the bond listing to address these issues. We recommend that the District Court continue updating the listings to ensure that all unreconciled differences are resolved. A lack of sufficient reconciliation procedures could result in misstatements to the District Court's financial statements.

- **Year-end Adjustments**

During the audit, we proposed an adjustment to accrue for expenditures incurred during the current year. In addition, adjustments were proposed and recorded to recognize receivables and associated revenue for amounts due from the District Control Unit as of June 30, 2013. We recommend that the District Court ensure a process is in place to ensure appropriate cut-off and year-end accrual adjustments are recorded. A lack of cut-off procedures and analysis of year-end accrual adjustments could result in misstatements to the District Court's financial statements.

- **Financial Reporting**

The District Court's financial statements do not present a management's discussion and analysis. While this analysis of financial performance is not a required part of the basic financial statements, the Governmental Accounting Standards Board has determined that this analysis is necessary to supplement the basic financial statements. The District Court should consider including this analysis in subsequent years.

Section II - Communications Required Under AU 260

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 4, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the District Court. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 11, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District Court are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013.

We noted no transactions entered into by the District Court during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements 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.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as 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.

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. Material misstatements detected as a result of audit procedures were corrected by management and include adjustments to recognize receivables and associated revenue for amounts due from the District Control Unit as of June 30, 2013. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the District Court, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the District Court's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2013.

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 District Court’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 the relevant facts. To our knowledge, there were no such consultations with other accountants.

Client: **City of St. Clair Shores, District Court No. 40**
 Opinion Unit: **Governmental Activities and Operating Fund**

Y/E: 6/30/2013

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net income statement impact
FACTUAL MISSTATEMENTS:									
AI	To record liability and expense for phone service incurred as of June 30 and an associated receivable and revenue from the District Control Unit for the Governmental Activities and Operating Fund.	\$ 3,345		\$ 3,345			\$ 3,345	\$ 3,345	\$ -
JUDGMENTAL ADJUSTMENTS:									
BI	NONE								
PROJECTED ADJUSTMENTS									
CI	NONE	-	\$ -	-	\$ -	\$ -	-	-	-
	Combined effect	\$ 3,345	\$ -	\$ 3,345	\$ -	\$ -	\$ 3,345	\$ 3,345	\$ -
PASSED DISCLOSURES									
DI	NONE								