

# **District Court Funds of District No. 28 City of Southgate, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2010**

# **District Court Funds of District No. 28**

## **City of Southgate, Michigan**

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## Independent Auditor's Report

To the Honorable James A. Kandrevas,  
District Judge of the District Court Funds of District No. 28  
City of Southgate, Michigan

We have audited the accompanying financial statements of the governmental activity, the major fund, the discretely presented component unit, and the fiduciary fund of the District Court Funds of District No. 28 of the City of Southgate, Michigan (the "District Court") as of and for the year ended June 30, 2010, which collectively comprise the District Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District Court Funds of District No. 28, City of Southgate, Michigan's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, the major fund, the discretely presented component unit, and the fiduciary fund of the District Court Funds of District No. 28 of the City of Southgate, Michigan as of June 30, 2010 and the respective changes in financial position, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable James A. Kandrevas,  
District Court Funds of District No. 28  
City of Southgate, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District Court Funds of District No. 28 of the City of Southgate, Michigan's basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 7, 2010

# District Court Funds of District No. 28

## City of Southgate, Michigan

### Management's Discussion and Analysis

Our discussion and analysis of the District Court Funds of District No. 28 (the "Court"), City of Southgate, Michigan's financial performance provides an overview of the Court's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Court's financial statements.

#### Using this Financial Report

This financial report represents the activities of the funds of the Court during the year. The activities are limited to collection of amounts that are subsequently returned or paid to third parties. However, the general account is also responsible for the payment of various operating expenses of the District Court and is therefore classified as a governmental fund. A detailed schedule of collections and disbursements is shown in the other supplemental information portion of the financial report.

The work program is a component unit and is included in the District Court's reporting entity because of the significance of its operational or financial relationships with the District Court.

#### The District Court as a Whole

The following table shows, in a condensed format, the assets and liabilities of the General Fund, bond account, and work program as of June 30 as compared to the prior year:

	Governmental Activities - General Fund		Agency Fund - Bond Account		Component Unit - Work Program	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Cash and investments	\$ 280,605	\$ 256,988	\$ 68,970	\$ 87,049	\$ 113,239	\$ 228,856
Other assets	-	-	-	-	71,666	44,861
Total assets	<u>\$280,605</u>	<u>\$256,988</u>	<u>\$ 68,970</u>	<u>\$ 87,049</u>	184,905	273,717
<b>Liabilities</b>						
Due to City of Southgate	182,590	173,426	-	-	5,000	5,000
Due to other governmental units	82,442	64,166	-	-	-	-
Other liabilities	15,573	19,396	68,970	87,049	1,059	5,054
Total liabilities	<u>\$280,605</u>	<u>\$256,988</u>	<u>\$ 68,970</u>	<u>\$ 87,049</u>	6,059	10,054
<b>Net Assets</b>						
Invested in capital assets					56,093	14,267
Unrestricted					122,753	249,396
Total net assets					<u>\$178,846</u>	<u>\$263,663</u>

# District Court Funds of District No. 28

## City of Southgate, Michigan

### Management's Discussion and Analysis (Continued)

The Court's work program net assets decreased 32.2 percent from a year ago, decreasing from \$263,663 to \$178,846. The decrease is due to the descending number of work program participants through June 2010 compared to the fiscal year ended June 30, 2009.

The following table shows, in a condensed format, the changes in net assets of the General Fund and work program as of June 30 as compared to the prior year:

	Governmental Activities - General Fund		Component Unit - Work Program	
	2010	2009	2010	2009
<b>Revenue</b>				
Fines and forfeitures	\$ 883	\$ 43,620	\$ -	\$ -
Charges for services	-	-	173,215	276,443
Operating grants and contributions	-	-	-	30,981
Total revenue	883	43,620	173,215	307,424
<b>Program Expenses</b>	883	43,620	258,032	376,537
<b>Changes in Net Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (84,817)</u>	<u>\$ (69,113)</u>

The revenue and expenses of the Court's General Fund decreased significantly from the prior year. The majority of the costs relating to the operation of the District Court are budgeted items of the City of Southgate, Michigan's General Fund and, accordingly, such costs are paid by the City's General Fund. Revenues and expenses in the work program decreased significantly primarily due to a decline in the number of work program participants in 2010.

### Contacting the Court's Management

This financial report is intended to provide our citizens and customers with a general overview of the Court's activities and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administration directly.

**District Court Funds of District No. 28  
City of Southgate, Michigan**

**Statement of Net Assets  
June 30, 2010**

	Primary Government - Governmental Activities - General Fund	Component Unit - Work Program
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 280,605	\$ 113,239
Due from primary government	-	15,573
Capital assets (Note 5)	-	56,093
Total assets	<u>\$ 280,605</u>	<u>\$ 184,905</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 1,059
Due to City of Southgate	182,590	5,000
Due to State of Michigan	60,079	-
Due to Wayne County	2,287	-
Due to work program	15,573	-
Due to District Court Capital Improvement Fund (held by City of Southgate)	20,076	-
Total liabilities	280,605	6,059
<b>Net Assets</b>		
Invested in capital assets	-	56,093
Unrestricted	-	122,753
Total net assets	-	178,846
Total liabilities and net assets	<u>\$ 280,605</u>	<u>\$ 184,905</u>

**Note to Reader** - The statement of net assets is prepared under the full accrual method. For the governmental activities, there are no reconciling items between this method of accounting and the fund-based balance sheet, which is to be presented under the modified accrual method. Therefore, separate presentation of the fund-based balance sheet is excluded from the basic financial statements.

# District Court Funds of District No. 28

## City of Southgate, Michigan

### Statement of Activities Year Ended June 30, 2010

	Program Revenues			Net Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
<b>Functions/Programs</b>						
Primary government:						
Governmental activities -						
Court activities	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ (883)	\$ -
Component unit - Work						
program	<u>\$ 258,032</u>	<u>\$ 173,215</u>	<u>\$ -</u>	<u>\$ -</u>	-	(84,817)
General revenue - Fines and forfeitures					<u>883</u>	<u>-</u>
<b>Change in Net Assets</b>					-	(84,817)
<b>Net Assets - Beginning of year</b>					<u>-</u>	<u>263,663</u>
<b>Net Assets - End of year</b>					<u>\$ -</u>	<u>\$ 178,846</u>

**Note to Reader** - The statement of activities is prepared under the full accrual method. There are no reconciling items between this method of accounting and the fund-based statement of changes in fund balance, which is to be presented under the modified accrual method. Therefore, presentation of the fund-based statement of changes in fund balance is excluded from the basic financial statements.

**District Court Funds of District No. 28  
City of Southgate, Michigan**

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**Fiduciary Fund  
Statement of Fiduciary Assets and Liabilities  
June 30, 2010**

	<u>Agency Fund - Bond Account</u>
<b>Assets - Cash and cash equivalents</b>	<b><u>\$ 68,970</u></b>
<b>Liabilities - Deposits</b>	<b><u>\$ 68,970</u></b>

# **District Court Funds of District No. 28 City of Southgate, Michigan**

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## **Notes to Financial Statements June 30, 2010**

### **Note I - Significant Accounting Policies**

The accounting policies of the District Court Funds of District No. 28 City of Southgate, Michigan (the "District Court") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of significant accounting policies:

#### **Reporting Entity**

The District Court is governed by one elected judge. The District Court's district control unit is the City of Southgate (the "City"). As required by accounting principles generally accepted in the United States of America, these financial statements present the District Court and its component unit. The accompanying basic 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. The work program is a component unit (not-for-profit organization) and is included in the District Court's reporting entity because of the significance of its operational or financial relationships with the District Court. The work program has a separate federal identification number and is used to account for fees paid by defendants and the expenses related to community services performed by and provided to defendants. The work program is governed by the judge. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the city limits.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the court and its component unit. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other revenue items not properly included among program revenue are reported instead as general revenue.

# District Court Funds of District No. 28

## City of Southgate, Michigan

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### Notes to Financial Statements

#### June 30, 2010

#### Note I - Significant Accounting Policies (Continued)

Separate financial statements are provided for fiduciary funds, even they are excluded from the government-wide statements.

#### Fund Accounting

The accounts of the District Court and its component unit are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

**Governmental Fund** - The financial activities of the General Fund are generally limited to the collection of amounts that are subsequently returned or paid to third parties. However, the general account is also responsible for the payment of various operating expenses of the District Court and is therefore classified as a governmental fund.

**Fiduciary Fund** - The bond account of the District Court is an Agency Fund. The financial activities of the fund are limited to collections of amounts that are subsequently returned or paid to third parties. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Court considers revenue to be available if they are 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. There are no differences between the modified accrual and full accrual statements for the governmental funds.

# **District Court Funds of District No. 28**

## **City of Southgate, Michigan**

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### **Notes to Financial Statements**

#### **June 30, 2010**

#### **Note 1 - Significant Accounting Policies (Continued)**

The statement of net assets includes and recognizes all long-term assets as well as long-term debt and obligations, if any. There were no long-term obligations at June 30, 2010. The District Court's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

#### **Assets, Liabilities, and Net Assets**

**Capital Assets** - Capital assets are defined by the District Court as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market values at the date of donation.

At June 30, 2010, capital assets consist strictly of vehicles for the component unit. Vehicles are depreciated using the straight-line method over a five- or 10-year life.

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are recorded at fair value, based on quoted market prices.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# **District Court Funds of District No. 28**

## **City of Southgate, Michigan**

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### **Notes to Financial Statements**

#### **June 30, 2010**

#### **Note 2 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The District Court is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States, repurchase agreements, bankers' acceptances of United States banks, commercial paper rated within the two highest classifications which matures not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade, and bank investment pools and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The District Court has designated one bank for the deposit of District Court funds. The investment policy adopted by the District Court in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, mutual funds, bank investment pools, and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The District Court's deposits and investment policy are in accordance with statutory authority.

The District Court's cash and investments are subject to custodial credit risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had \$30,605 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

All of the Court's component units' bank deposits were insured at June 30, 2010.

# District Court Funds of District No. 28

## City of Southgate, Michigan

### Notes to Financial Statements

#### June 30, 2010

#### Note 3 - Court Operations

The majority of the costs relating to the operation of the District Court are budgeted items of the City of Southgate, Michigan's General Fund and, accordingly, such costs are paid by the City's General Fund. The District Court did incur operating expenses of \$883 in the General Fund. These operating expenses were not budgeted for in the current year. The Court personnel are considered to be employees of the City, and as such, they participate in the City's pension and retiree healthcare plans. The wage and fringe benefit costs for the Court personnel are budgeted line items of the City.

#### Note 4 - Risk Management

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court, through the City, has purchased commercial insurance for medical benefit claims. The District Court participates with the City in the Michigan Municipal Risk Management Authority, a risk pool for claims relating to property loss, torts, and errors and omissions. The District Court, through the City, is primarily self-insured for employee injuries, but has purchased stop-loss commercial insurance to limit losses. The City estimates related liabilities at year end. The District Court's liability at June 30, 2010 is immaterial. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

#### Note 5 - Capital Assets

Capital asset activity of the District Court's component unit was as follows:

	Balance		Balance	
	July 1, 2009	Additions	Deletions	June 30, 2010
Capital assets being depreciated - Vehicles	\$ 66,547	\$ 48,760	\$ 6,800	\$ 108,507
Less accumulated depreciation	(52,280)	(6,934)	6,800	(52,414)
Net capital assets	<u>\$ 14,267</u>	<u>\$ 41,826</u>	<u>\$ -</u>	<u>\$ 56,093</u>

Depreciation expense was \$6,934 for the year ended June 30, 2010.

## **Other Supplemental Information**

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**District Court Funds of District No. 28  
City of Southgate, Michigan**

**Schedule of Cash Receipts and Disbursements  
General and Bond Accounts  
Year Ended June 30, 2010**

	General Account	Bond Account	Total
<b>Cash and Cash Equivalents - July 1, 2009</b>	\$ 256,988	\$ 87,049	\$ 344,037
<b>Receipts</b>			
Fines and fees collected	2,843,632	-	2,843,632
Receipts	-	415,436	415,436
Trust accounts and restitution	-	14,021	14,021
	<u>2,843,632</u>	<u>429,457</u>	<u>3,273,089</u>
Total receipts	2,843,632	429,457	3,273,089
<b>Disbursements</b>			
Transfers:			
City of Southgate	1,861,161	-	1,861,161
State of Michigan	556,509	-	556,509
Capital Improvement Fund	194,066	-	194,066
Wayne County	31,786	-	31,786
Transfer to work program	174,821	-	174,821
Bond refunds and forfeitures	-	447,536	447,536
Operating expense	883	-	883
Bank fees	789	-	789
	<u>2,820,015</u>	<u>447,536</u>	<u>3,267,551</u>
Total disbursements	2,820,015	447,536	3,267,551
<b>Cash and Cash Equivalents - June 30, 2010</b>	<b><u>\$ 280,605</u></b>	<b><u>\$ 68,970</u></b>	<b><u>\$ 349,575</u></b>

**District Court Funds of District No. 28  
City of Southgate, Michigan**

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**Report to the Honorable James A. Kandrevas  
June 30, 2010**

October 7, 2010

To the Honorable James A. Kandrevas  
District Court Funds of District No. 28  
City of Southgate, Michigan

We have audited the financial statements of the District Court Funds of District No. 28 City of Southgate, Michigan (the "Court") for the year ended June 30, 2010 and have issued our report thereon dated October 7, 2010. Professional standards require that we provide you with certain information related to our audit which is presented in the following sections:

Section I - Communications Required Under SAS 115

Section II - Communications Required Under SAS 114

Section I includes any deficiencies we observed in the Court'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 Court'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 report this information annually to Judge James A. Kandrevas.

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

This report is intended solely for the use of Judge James A. Kandrevas and management of the District Court Funds of District No. 28 City of Southgate, Michigan 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 are willing to discuss any of these or other questions that you might have at your earliest convenience.

Very truly yours,

**Plante & Moran, PLLC**



Beth A. Bialy, Partner

### **Section I - Communications Required Under SAS 115**

In planning and performing our audit of the financial statements of the District Court Funds of District No. 28 City of Southgate, Michigan as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court'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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 believe that the following deficiency constitutes a material weakness:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles.

## **Section II - Communications Required Under SAS 114**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 7, 2010, 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 Funds of District No. 28 City of Southgate, Michigan. 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 July 22, 2010 correspondence.

### **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 Funds of District No. 28 City of Southgate, Michigan 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 the year ended June 30, 2010.

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

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 Court's financial statements do not include any sensitive 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.

### ***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. There were no uncorrected misstatements identified during our audit. The material misstatements were related to the posting of fixed asset additions and depreciation, due to other governmental units, and work program revenue.

### ***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.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated September 24, 2010.

### ***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 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.

To the Honorable James A. Kandrevas  
District Court Funds of District No. 28  
City of Southgate, Michigan

October 7, 2010

***Other Audit Findings or Issues***

In the normal course of our professional association with the Court, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Court, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Court's auditor.