

**STAR INTERNATIONAL
ACADEMY**

**Financial Report
with Supplemental Information
June 30, 2015**

STAR INTERNATIONAL ACADEMY

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Wilkerson & Associate P.C.

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THOMAS E. WILKERSON, C.P.A.

Independent Auditor's Report

To the Board of Directors
Star International Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Star International Academy, as of and for the year ended June 30, 2015, 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 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. 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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Star International Academy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Star International Academy as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles 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 and the budgetary comparison information, as identified 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 Government Auditing 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Star International Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor funds combining statement of revenues, expenditures, and changes in fund balances, statement of revenue and expenditures – budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Star International Academy

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of Star International 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Star International Academy's internal control over financial reporting and compliance.

Wilkerson & Associate PC

October 26, 2015

STAR INTERNATIONAL ACADEMY

**24425 Hass Street
Dearborn Heights, Michigan, 48127**

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

This section of Star International Academy's (the Academy) annual financial report presents discussion and analysis of Star International Academy's Financial Performance during the year ended June 30, 2015. It should be read in conjunction with the Academy's financial statements, which immediately follow this section.

The Academy is required to implement the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34) in its financial statement presentation. This accounting standard requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

The financial report is only one measure of an Academy's viability. An Academy's goal is to provide services to the students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, such as the quality of the education provided and safety of the schools, in the assessment of the overall health of a school's district.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Star International Academy financially as a whole. The District-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a long-term view of those finances. The fund statements provide the next level of detail. For government activities, those statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the District-wide financial statements by providing information about the Academy's significant fund - the General Fund. The components of the annual report are as follows.

Star International Academy

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

District-wide financial statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Fund

District-Wide Financial Statements

The District-Wide Financial Statements provide information about the activities of the Academy as a whole, presenting both an aggregate view of the Academy's finances and a long-term view of those finances. District-Wide Statements are presented on a full accrual basis, which is the primary accounting method used in private industry. The Statement of Net Position reports all the Academy's assets regardless if they are available for current use or legally restricted, and all of its liabilities, both short-term and long-term. The Statement of Activities reports all of the Academy's revenues and expenses by type of activity.

Fund Financial Statements

The Academy segregates resources and activities in separate Funds (or entities); each used for a specific purpose, to facilitate accountability for those resources. The Fund Financial Statements provide a detailed short-term view of the operations of a School District's various fiscal components, not a long-term view of the School District's as a whole. It provides information as to the amount of financial resources that can be spent in the near future to finance programs. It also provides information about the School District's most significant Fund – the General Fund (the Academy's principal operating Fund) and its non-major Fund, the Food Service Fund. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources.

The School District as a Whole

As discussed above, the Statement of Net Position provides information of the Academy as a whole. Table 1 provides a summary of Star International Academy's net position as of June 30, 2014 and 2015.

Table 1-Summary of Star International Academy's Net Position.

	Governmental Activities (In Thousands)	
<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current and other Assets	\$ 10,275	\$ 8,962
Capital Assets – Net of Accumulated Depreciation	<u>17,417</u>	<u>18,301</u>
Total Assets	27,692	27,263
<u>Deferred Outflow of Resources</u>		
Deferred cost of refunding	<u>935</u>	<u>988</u>
Total assets and deferred outflow of resources	28,627	28,251
<u>Liabilities</u>		
Current Liabilities	2,253	1,789
Long-Term Liabilities	<u>13,700</u>	<u>14,150</u>
Total Liabilities	15,953	15,939
<u>Net Position</u>		
Invested in capital assets – net of related debt	3,717	5,139
Restricted	1,656	1,619
Unrestricted	<u>7,301</u>	<u>5,554</u>
Total Net Position	\$ 12,674	\$ 12,312

Net position at year-end was \$ 12,674,508. The Academy's net investment in Capital Assets, net of related debt, was \$ 3,716,815. The \$ 7,300,768 in unrestricted net position represents the cumulative operating results for the year ended June 30, 2015 and all prior years.

The Academy's net position increased \$ 362,916 during the fiscal year ended June 30, 2015 (please refer to Table 2 below). The cost to operate the Academy's programs was \$ 15,049,312. Partially funding these programs were charges for services and grant revenues totaling \$1,895,482. The remaining cost of the Academy's was funded by general revenues, primarily State Aid totaling \$ 13,390,737, and other local and miscellaneous revenue of \$ 126,009.

Table 2 – Summary of the Statement of Activities

Governmental Activities		
<u>(In Thousands)</u>		
<u>Revenues:</u>	<u>2015</u>	<u>2014</u>
Program Revenues		
Charges for Services	\$ 55	\$ 44
Federal Grants	1,840	2,132
General Revenues		
State foundation allowance	13,391	12,584
Other & Incoming Transfers	126	133
Total Revenues	<u>\$ 15,412</u>	<u>\$ 14,893</u>
 <u>Function/Program Expenses:</u>		
Instruction	\$ 7,022	\$ 6,968
Support Services	580	885
General, Executive, and Building Administration	2,283	2,327
Food Services	757	747
Business Support Services	203	213
Operating & Maintenance, & Other	2,033	2,129
Depreciation (Unallocated)	1,269	1,242
Interest on long-term debt	902	693
Total Expenses	<u>15,049</u>	<u>15,204</u>
 Increase (Decrease) in Net Position	 <u>\$ 363</u>	 <u>\$ (311)</u>

State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

- Per student, foundation allowance: annually, the State of Michigan sets the per student foundation allowance. The Academy's foundation allowance was \$ 7,218 per student for the school year 2014-2015.
- Student Enrollment: The Academy's student enrollment for the fall count of 2014-2015 was 1,669 students. To calculate total state aid to be provided by the foundation allowance, a blend of 90% of current year fall count and 10% of the previous year winter count is multiplied by the Academy's foundation allowance.

Subsequent to year-end June 30, 2015 preliminary student enrollment for 2015-2016 indicate that the 2015 fall student enrollment will be approximately 1,642 students including 48 pre-kindergarten students.

Capital Assets

At June 30, 2015 Star International Academy had an investment in capital assets, net of accumulated depreciation, of \$ 17,416,815 (please refer to Table 3 below). This includes Building, Improvements/Infrastructure, Computers, Software, Furniture, and other Equipment.

Capital Assets purchased or acquired are capitalized at cost. The Academy's capitalization policy is individual amounts exceeding \$ 1,000.

The Academy added approximately \$ 385,124 of capital assets during the year. The majority of the additions were classroom furniture and computer equipment. The furniture and equipment were purchased with cash from the General Fund.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Total depreciation expense for the year was \$ 1,268,966.

Table 3 – Capital Assets

	<u>(In Thousands)</u>	<u>(In Thousands)</u>
<u>Description</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Land	\$ 1,760	\$ 1,760
Building – Athletic Field	3,535	3,535
Building /Building Improvements	19,402	19,402
Machinery and Equipment	3,135	2,750
School Buses / Vehicles	<u>36</u>	<u>36</u>
Total Capital Assets	27,868	27,483
Less Accumulated Depreciation	<u>(10,451)</u>	<u>(9,182)</u>
Net Capital Assets	<u>\$ 17,417</u>	<u>\$ 18,301</u>

Debt

On September 01, 2012 Star International Academy entered into an agreement with Michigan Finance Authority (MFA) to issue Public School Academy Refunding Bonds, Series 2012 in the amount \$ 14,590,000.00 to refinance the Academy's Full Term Certificates of Participation, issued between March 1, 2003 and August 1, 2007. The Balance of Full Term Certificates as of August 31, 2012 was fully paid from the Proceeds of the Bonds in addition to \$ 5,000,000 contribution by the Academy

At June 30, 2015 Star International Academy's long-term debt of \$ 13,700,000 was comprised of \$ 460,000 which is the current portion and \$ 13,240,000 which is the non-current portion compared to \$14,150,000 at the same time last year (please refer to Table 4).

Table 4 – Outstanding Long-Term Liabilities:

Maturity Schedules and interest Rates:

<u>Maturity Date</u>	<u>Principal Amount \$</u>	<u>Interest Rate</u>
March 01, 2016	460,000	3.15%
March 01, 2017	475,000	3.40%
March 01, 2018	490,000	5.00%
March 01, 2019	515,000	5.00%
March 01, 2020	540,000	5.00%
March 01, 2021 - March 01, 2025	3,150,000	5.00%
March 01, 2026 - March 01, 2030	4,015,000	5.00%
March 01, 2031 - March 01, 2033	<u>4,055,000</u>	5.00%
Total	<u>\$13,700,000</u>	

The School District's Funds

As mentioned above, the Academy uses Funds to segregate and account for resources and activities that are used for specific purposes. At June 30, 2015, the Academy's Governmental Funds had a combined fund balance of \$ 8,155,972, an increase of \$ 993,754 from June 30, 2014. The contributions of each individual fund are:

General Fund:

The ending balance of the General Fund, the principal operating Fund of the Academy, increased \$ 988,716 at June 30, 2015 to \$ 8,150,934 from \$ 7,162,218 at June 30, 2014. The increase is primarily attributable to additional funding during the year. The fund balance of the general Fund is available to fund costs related to school operations.

Other Governmental Funds:

The School District's non-major funds - Food Service (Lunch Program), is presented in this category. At June 30, 2015, the Food Service Fund equity balance was \$ 5,038. Revenues of the lunch program were \$ 5,038 above expenses during the year 2014-2015.

General Fund Budgetary Highlights:

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the Academy revised its budget in response to and / or in anticipation of changing operating conditions. The Academy had two budget amendmenst during the year that were approved by the Board of Directors of Star International Academy, and the final budget was approved in May 2015 (A schedule showing the Academy's Original Budget, Final Budget, and actual results for the general Fund is provided in the Required Supplemental Information section of these Financial Statements).

The majority of the School Districts revenue is based on student enrollment. For the fiscal year 2014-2015, it received \$ 7,218 per pupil from the State of Michigan. The original budget which was completed at the end of the prior fiscal year reflected certain assumptions for enrollment, grant funding, staffing and other expenditures. The May 2015 amended (Final) budget reflected actual enrollment based on the October 2014 official pupil count, and a revised estimate of federally approved grant funding. Operating expenditures based on the revised revenues estimate were updated accordingly. The actual ending fund balance met expectations.

Final Budget Vs. Actual:

<u>Revenues:</u>	<u>Final Budget</u>	<u>Actual</u>
2003 - 2004	\$ 7,330,756	\$ 7,349,104
2004 - 2005	8,989,744	9,253,202
2005 - 2006	10,288,034	10,638,879
2006 - 2007	11,126,691	11,489,923
2007 - 2008	12,535,473	12,790,133
2008 - 2009	12,239,152	13,094,509
2009 - 2010	13,236,072	13,025,517
2010 - 2011	13,178,516	13,806,392
2011 - 2012	13,616,222	13,332,675
2012 - 2013	13,825,647	12,878,974

2013 - 2014	14,087,454	14,912,390
2014 - 2015	15,653,959	15,389,047

Expenditures:

2003 - 2004	20,634,933	17,109,490
2004 - 2005	11,167,829	10,305,380
2005 - 2006	9,729,477	7,964,773
2006 - 2007	15,447,470	11,089,677
2007 - 2008	17,963,371	14,461,383
2008 - 2009	14,331,057	12,687,508
2009 - 2010	21,373,684	14,955,885
2010 - 2011	15,961,469	13,205,301
2011 - 2012	15,154,953	13,864,048
2012 - 2013	34,535,139	33,548,237
2013 - 2014	14,685,283	13,254,671
2014 - 2015	15,297,048	13,945,293

Economic Factors affecting Next Year's Budgets:

Our elected officials and administration consider many factors when setting the Academy's 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The membership blend for the 2015-2016 fiscal year is based on 90 percent of the current school year October count, and 10 percent of the prior year February student count. The 2016 budget was adopted in May 2015, based on an estimate of students that will be enrolled in September 2015. Approximately 89 percent of total General Fund revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2015-2016 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2016 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual Academy's resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to local school districts. The State periodically holds a revenue-estimating conference to estimate revenues. At this time, the estimated Foundation Allowance per pupil for the year 2015-2016 will be around \$ 7,391.

STAR INTERNATIONAL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,260,973
Other receivables	
State aid	2,435,872
Federal	563,094
Other current assets	14,916
Capital assets, net of accumulated depreciation	<u>17,416,815</u>
 Total Assets	 27,691,669
 Deferred Outflow of Resources	
Deferred cost of refunding	<u>935,495</u>
 Total assets and deferred outflow of resources	 28,627,164
 Liabilities	
Accounts payable	1,149,445
Accrued expenses	935,988
Accrued interest	167,223
Long-term liabilities:	
Long-term liabilities, due within one year	460,000
Long-term liabilities, due after one year	<u>13,240,000</u>
 Total Liabilities	 15,952,656
 Net Position	
Net investment in capital assets	3,716,815
Restricted for School Lunch	5,038
Restricted for Debt Service Reserve Fund	1,651,887
Unrestricted	<u>7,300,768</u>
 Total Net Position	 <u><u>\$ 12,674,508</u></u>

STAR INTERNATIONAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
Governmental Activities				
Instruction	\$ 5,686,103	\$ -	\$ 1,163,398	\$ (4,522,705)
Supporting Services				
Pupil Support Services	580,066			(580,066)
Instructional support services	1,335,728			(1,335,728)
General administration	2,180,323			(2,180,323)
School administration services	102,581			(102,581)
Business services	202,702			(202,702)
Operations and maintenance	958,267			(958,267)
Transportation	39,491			(39,491)
Other support services	943,837			(943,837)
Community activities	91,902			(91,902)
Food services	757,230	55,118	676,966	(25,146)
Depreciation	1,268,966			(1,268,966)
Debt Issuance and Other Costs	52,953			(52,953)
Interest on Long-Term Debt	849,163			(849,163)
Total governmental activities	<u>\$15,049,312</u>	<u>\$ 55,118</u>	<u>\$ 1,840,364</u>	(13,153,830)
General Revenues				
State aid - all sources				13,390,737
Other local sources				<u>126,009</u>
Total general revenues				<u>13,516,746</u>
Change in Net Position				362,916
Net Position - July 1, 2014				<u>12,311,592</u>
Net Position -June 30, 2015				<u><u>\$ 12,674,508</u></u>

**STAR INTERNATIONAL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 7,260,973	\$ -	\$ 7,260,973
Due from other governmental units	2,959,569	39,397	2,998,966
Due from other fund	15,973	-	15,973
Other current assets	14,075	841	14,916
Total Assets	<u><u>\$10,250,590</u></u>	<u><u>\$ 40,238</u></u>	<u><u>\$10,290,828</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,149,445	\$ -	\$ 1,149,445
Due to other fund	8,697	15,973	24,670
Accrued expenses	908,065	19,227	927,292
Total Liabilities	2,066,207	35,200	2,101,407
Deferred Inflows of Resources - Unavailable Revenue	<u>33,449</u>	<u>-</u>	<u>33,449</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,099,656</u>	<u>35,200</u>	<u>2,134,856</u>
Fund Balances			
Non-Spendable Fund Balance:			
Prepaid expenditures	-	-	-
Restricted Fund Balance:			
School Lunch	-	5,038	5,038
Debt Service Reserve Fund	1,651,887	-	1,651,887
Unrestricted Fund Balance:			
Unassigned fund balance	6,499,047	-	6,499,047
Total Fund Balance	8,150,934	5,038	8,155,972
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$10,250,590</u></u>	<u><u>\$ 40,238</u></u>	<u><u>\$10,290,828</u></u>

**STAR INTERNATIONAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances - Governmental Funds	\$ 8,155,972
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds

	Cost of capital assets	\$ 27,867,855	
	Accumulated depreciation	<u>(10,451,040)</u>	17,416,815

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds.	33,449
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Accrued interest payable is not included as a liability in governmental funds	(167,223)
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Bonds payable and bond issue premiums are not due and payable in the current period and, therefore, are not reported in the funds.	(13,700,000)
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Unamortized deferred refunding costs are not financial resources and are not reported in the funds.	<u>935,495</u>
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Total Net Position - Governmental Activities	<u><u>\$ 12,674,508</u></u>
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STAR INTERNATIONAL ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local Sources	\$ 126,009	\$ 55,118	\$ 181,127
State Sources	13,360,553	30,184	13,390,737
Federal Sources	1,140,217	676,966	1,817,183
Total governmental fund revenues	<u>14,626,779</u>	<u>762,268</u>	<u>15,389,047</u>
Expenditures			
Instruction	5,893,749	-	5,893,749
Supporting Services:			
Pupil Support Services	580,066	-	580,066
Instructional Staff Services	1,511,421	-	1,511,421
General Administration	2,182,107	-	2,182,107
School Administration	102,581	-	102,581
Business Support Services	202,702	-	202,702
Operation and Maintenance, & Facility	958,267	-	958,267
Transportation	39,491	-	39,491
Support Services Central	809,069	-	809,069
Athletic Activities	134,768	-	134,768
Food Services - Lunch Program	-	757,230	757,230
Community Services	91,902	-	91,902
Interest on Long-term debt	681,940	-	681,940
Total Governmental Fund Expenditures	<u>13,188,063</u>	<u>757,230</u>	<u>13,945,293</u>
Excess (Deficiency) of Revenues over Expenditures	1,438,716	5,038	1,443,754
Other Financing Sources (Uses)			
Long Term Debt - Bonds	(450,000)	-	(450,000)
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>(450,000)</u>	<u>-</u>	<u>(450,000)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	988,716	5,038	993,754
Fund Balance, July 1, 2014	<u>7,162,218</u>	<u>-</u>	<u>7,162,218</u>
Fund Balance, June 30, 2015	<u><u>\$ 8,150,934</u></u>	<u><u>\$ 5,038</u></u>	<u><u>\$ 8,155,972</u></u>

STAR INTERNATIONAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	993,754
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation Expense	\$ (1,268,966)	
Capitalized capital outlay	<u>385,123</u>	(883,843)

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible with 60 days of year end:

Prior year deferred revenue	(10,268)
Current year deferred revenue	33,449

Amortization of deferred refunding costs	(52,953)
--	----------

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(167,223)
--	-----------

Repayment of bond principal is an expense in governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>450,000</u>
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Change in Net Position of Governmental Activities	\$	<u>362,916</u>
--	-----------	-----------------------

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Star International Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Reporting Entity

Star International Academy is a public school academy that provides instructional and support services to students in grades K-12. The academy was formed under Part 6A of the Revised School Code, as amended.

The Academy's contract with Oakland University to organize and administer a public school academy is effective through June 30, 2022. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The Academy is organized and administered by a Board of Directors in compliance with provision of the Revised School Code. The Academy pays the Oakland University Board of Trustees 3 percent of State Aid as administrative fees. The total administrative fee paid through Star International Academy to the Oakland University Board of Trustees was approximately \$391,476 for the year ended June 30, 2015.

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. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements.

Governmental activities, which normally are supported by intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements

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

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement
Presentation (Continued)**

District-Wide Statements (Continued)

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

Fund-Based Statements

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 government 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 required under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement
Presentation (Continued)**

Fund-Based Statements (Continued)

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

General Fund

The General Fund is used to record the general operation of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund-Based Statements (Continued)

Additionally, the Academy reports the following nonmajor governmental Special Revenue Fund, the School Lunch Fund. This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes in the Academy's food service program. Any deficit generated by this activity is the responsibility of the General Fund.

D. Assets, Liabilities, and Net Position or Equity

Deposits, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

The Academy is authorized by Michigan Compiled Laws, Section 139.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

D. Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual 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 value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 – 50 years
Furniture and other equipment	5 – 20 years

MPSERS Liability

The Academy contracted with Hamadeh Educational Services, Inc. to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2015.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of Net Position. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

District-wide financial statements (statement of Net Position and statement of activities) prepared using full accrual accounting for all of the Academy's activities have been provided.

Capital assets of \$17,416,815 (net of depreciation of \$10,451,039) are currently recorded in the governmental activities column of the statement of Net Position.

The fund financial statements focus on major funds rather than fund types.

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Estimates

Budgetary Data

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Academy formally adopted General Fund, and Special Revenue Funds (Food Services) budgets by function for the fiscal year ended June 30, 2015. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds at June 30, 2015. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances – budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds, and has not adopted any other formal investment policy.

The Academy'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 Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$7,260,973.

The deposits of the Academy were reflected in the accounts of the financial institution at \$7,522,613, of which \$1,805,650 is covered by federal depository insurance.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the Academy's governmental activities was as follows:

	Balance July 1, 2014	Additions	Disposals and Adjustments	Balance June 30, 2015
Land	\$ 1,760,000	\$ -	\$ -	\$ 1,760,000
Assets being depreciated:				
Building and improvements	10,667,149	-	-	10,667,149
George Street Building	7,470,065	-	-	7,470,065
Office Building	1,264,729	-	-	1,264,729
Building - Athletic field	3,534,950	-	-	3,534,950
Furniture and equipment	2,547,429	385,124	-	2,932,553
Other equipment	202,739	-	-	202,739
School buses and vehicles	35,670	-	-	35,670
Subtotal	27,482,731	385,124	-	27,867,855
Accumulated depreciation:				
Building and improvements	4,225,139	384,017	-	4,609,156
George Street Building	1,684,823	268,922	-	1,953,745
Office Building	220,879	45,530	-	266,409
Building - Athletic field	706,988	176,747	-	883,735
Furniture and equipment	2,184,126	370,532	-	2,554,658
Other equipment	141,313	20,274	-	161,587
School buses and vehicles	18,987	2,944	-	21,931
Subtotal	9,182,073	1,268,966	-	10,451,039
Net capital assets being depreciated	16,540,658	(883,843)	-	15,656,815
Net capital assets	\$ 18,300,658	\$ (883,843)	\$ -	\$ 17,416,815

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

NOTE 6 - LONG -TERM DEBT

PUBLIC SCHOOL ACADEMY REFUNDING BONDS, SERIES 2012

**BONDS DEBT SERVICE
JUNE 30, 2015**

	<u>PRINCIPAL</u>	<u>ANNUAL INTEREST</u>	<u>ANNUAL DEBT SERVICE</u>
ORIGINAL LOAN	\$ 14,590,000	\$ 8,349,612	\$ 22,939,612
TOTAL PAYMENTS	<u>(890,000)</u>	<u>(1,711,072)</u>	<u>(2,601,072)</u>
BALANCE JUNE 30, 2015	<u><u>\$ 13,700,000</u></u>	<u><u>\$ 6,638,540</u></u>	<u><u>\$ 20,338,540</u></u>

THE BONDS ACTIVITY CAN BE SUMMARIZED AS FOLLOWS:

<u>BEGINNING BALANCE JULY 1, 2014</u>	<u>PAYMENTS</u>	<u>BALANCE AT JUNE 30, 2014</u>	<u>DUE WITHIN ONE YEAR</u>
\$ 14,150,000	\$ 450,000	\$ 13,700,000	\$ 460,000

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - LONG-TERM DEBT (Continued)

FUTURE BOND DEBT SERVICE IS AS FOLLOWS:

<u>PERIOD</u>	<u>PRINCIPAL AMOUNT \$</u>	<u>ANNUAL INTEREST AMOUNT \$</u>	<u>ANNUAL DEBT SERVICE \$</u>
2015-2016	460,000	668,890	1,128,890
2016-2017	475,000	654,400	1,129,400
2017-2018	490,000	638,250	1,128,250
2018-2019	515,000	613,750	1,128,750
2019-2020	540,000	588,000	1,128,000
2020-2025	3,150,000	2,505,000	5,655,000
2025-2030	4,015,000	1,635,750	5,650,750
2030-2033	4,055,000	(665,500)	3,389,500
TOTAL	\$ 13,700,000	\$ 6,638,540	\$ 20,338,540

NOTE 7 - PENSION PLAN

Hamadeh Educational Services, Inc. employed all staff working at the Academy effective July 2, 1998. The employees are not required to participate in the Michigan Public School Employee's Retirement System (MPSERS). Hamadeh Educational Services, Inc. provides a separate pension plan to its employees.

NOTE 8 - ADMINISTRATIVE FEES AND RELATED PARTY

The owner of Hamadeh Educational Services, Inc. (HES) is both the Executive Director of the Academy and the President of HES. HES provided all management services to the Academy during the year ended June 30, 2015. HES was paid \$1,481,515 for providing management services during the year.

NOTE 9- SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 26, 2015, which is the date the financials statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

STAR INTERNATIONAL ACADEMY
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Over/(Under)
				Final
				to Actual
Revenues				
Local Sources	\$ 151,500	\$ 109,250	\$ 126,009	\$ 16,759
State Sources	13,038,640	13,372,312	13,360,553	(11,759)
Federal Sources	1,514,578	1,441,662	1,140,217	(301,445)
Incoming Transfers and Other Transactions	-	-	-	-
Total governmental fund revenues	14,704,718	14,923,224	14,626,779	(296,445)
Expenditures				
Instructional Services	5,934,879	6,125,003	5,893,749	(231,254)
Supporting Services:				
Pupil Support Services	1,003,905	687,366	580,066	(107,300)
Instructional Staff Services	1,428,552	1,607,024	1,511,421	(95,603)
General Administration	2,285,567	2,385,316	2,182,107	(203,209)
School Administration	131,755	108,619	102,581	(6,038)
Business Support Services	210,649	208,201	202,702	(5,499)
Operation and Maintenance, & Facility	1,008,150	984,883	958,267	(26,616)
Transportation	79,162	57,781	39,491	(18,290)
Other Support Services	941,844	810,067	809,069	(998)
Athletic Activities	141,204	172,541	134,768	(37,773)
Community Services	176,344	178,065	91,902	(86,163)
Facilities Acquisition & Improvement	-	8,125	-	(8,125)
Capital Outlay	50,000	-	-	-
Principal & Interest on Long-Term Debt	1,132,500	1,142,500	1,131,940	(10,560)
Total governmental fund expenditures	14,524,511	14,475,491	13,638,063	(837,428)
Excess (Deficiency) of Revenues over Expenditures	180,207	447,733	988,716	540,983
Other Financing Sources (uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(77,191)	(45,411)	-	45,411
Total Other Financing Sources (uses)	(77,191)	(45,411)	-	45,411
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	103,016	402,322	988,716	586,394
Fund Balance, July 1, 2014	5,021,550	7,162,218	7,162,218	-
Fund Balance, June 30, 2015	\$ 5,124,566	\$ 7,564,540	\$ 8,150,934	\$ 586,394

OTHER SUPPLEMENTAL INFORMATION

**STAR INTERNATIONAL ACADEMY
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Food Services
Revenues	
Local Sources	\$ 55,118
State Sources	30,184
Federal Sources	<u>676,966</u>
Total Revenues	762,268
Expenditures	
Food Services	<u>757,230</u>
Total Expenditures	757,230
Other Financing Sources	
Operating Transfers	<u>-</u>
Excess of Revenues Over Expenditures and Other Financing Sources	5,038
Fund Balance- Beginning of Year	<u>-</u>
Fund Balance-End of Year	<u><u>\$ 5,038</u></u>

STAR INTERNATIONAL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2015

SECTION A

STAR INTERNATIONAL ACADEMY

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Wilkerson & Associate P.C.

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313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Directors
Star International Academy

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Star International Academy (the "Academy") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated October 26, 2015, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 26, 2015.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly states in all material respects in relation to the financial statements as a whole.

Wilkerson & Associate PC

Dearborn, MI
October 26, 2015

Members: A.I.C.P.A. and M.I.C.P.A.

Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

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

Independent Auditor's Report

To the Board of Directors
Star International Academy

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, each major fund, and the aggregate remaining fund information of Star International Academy (the "Academy") as of and for the year ended June 30, 2015 and related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Star International 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 the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
Star International Academy

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Star International 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 of 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

Wilkinson & Associate PC

Dearborn, MI
October 26, 2015

Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

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

Independent Auditor's Report

To the Board of Directors
Star International Academy

Report on Compliance for Each Major Federal Program

We have audited Star International Academy's (the "Academy") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2015. Star International Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Star International Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Members: A.I.C.P.A. and M.I.C.P.A.

Opinion on Each Major Federal Program

In our opinion, Star International Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Star International Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Star International Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkerson & Associates PC

Dearborn, MI
October 26, 2015

STAR INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2015

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2014	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2015
Cluster:							
Child Nutrition Cluster:							
U.S. Department of Agriculture - Passed through the							
Michigan Department of Education:							
Non-Cash Assistance (Commodities) 2013-20134	10.555	23,976	-	-	23,976	23,976	-
National School Lunch Program							
Cash Assistance							
National School Breakfast Program - 2013-2014 (Grant # 141970)	10.553	14,267	-	-	14,267	14,267	-
National School Lunch Program - 2013-2014 (Grants # 141960/141980)	10.555	61,033	-	-	61,033	61,033	-
National School Breakfast Program - 2014-2015 (Grant # 151970)	10.553	92,921	-	-	87,080	92,921	5,841
National School Breakfast Program - 2013-2014 (Grant # 141970)	10.553	93,716	93,716	7,782	7,782	-	-
National School Lunch Program - 2014-2015 (Grants # 151960/151980)	10.555	484,768	-	-	484,914	484,768	29,854
National School Lunch Program - 2013-2014 (Grants # 141960/141980)	10.555	458,938	458,938	40,566	40,566	-	-
Total Cash Assistance		1,205,643	552,654	48,348	665,642	652,989	35,695
Total Child Nutrition Cluster		1,229,619	552,654	48,348	689,618	676,965	35,695
Special Education Cluster - U.S. Department of Education -							
Passed through the Wayne County RESA - IDEA -							
IDEA - Regular Flow through 2013-2014	84.027	85,711	85,711	2,045	2,045	-	-
IDEA - Regular Flow through 2014-2015	84.027	107,720	-	-	-	107,720	107,720
Total Special Education Cluster		193,431	85,711	2,045	2,045	107,720	107,720
Title I Cluster - U.S. Department of Education - Passed through							
the Michigan Department of Education - Title I, Part A							
Improving Basic Program - 2013-2014 Regular - (Grant No. 141530)	84.010	1,059,866	1,000,866	457,424	457,424	-	-
Improving Basic Program - 2014-2015 Regular - (Grant No. 151530)	84.010	971,051	-	-	613,919	799,137	185,218
Total Title I Cluster		2,030,917	1,000,866	457,424	1,071,343	799,137	185,218
Total Clusters		3,453,967	1,639,231	507,817	1,763,006	1,563,822	328,633

STAR INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2015

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCURUED (DEFERRED) REVENUE JULY 1, 2014	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCURUED (DEFERRED) REVENUE AT JUNE 30, 2015
Other Federal Awards:							
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title II, Part A - Teacher/Principal Training -2013-2014	84.367	111,087	20,452	1,444	1,444	-	-
Title II, Part A - Teacher/Principal Training -2014-2015	84.367	111,163	-	-	11,993	25,146	13,153
Limited English Proficient Student Grant:							
Title III, Immigrant Students - 2013-2014 (Grant No. 140570)	84.365A	24,289	4,466	2,108	2,108	-	-
Title III, Immigrant Students - 2014-2015 (Grant No. 150570)	84.365A	56,713	-	-	-	20,326	20,326
Title III, Limited English - 2013-2014 (Grant No. 140580)	84.365A	169,514	169,514	20,776	20,776	-	-
Title III, Limited English - 2014-2015 (Grant No. 150580)	84.365A	185,549	-	-	10,086	180,120	170,034
Total Passed Through Michigan Department of Education		656,315	194,432	24,328	46,407	225,592	203,513
Passed through other Public School:							
21st. Century Community Learning Centers							
21st. Century Program - Grant No. 112110 - F09074	84.287C	92,666	92,666	14,704	14,704	-	-
Total Passed through other Public Schools		92,666	92,666	14,704	14,704	-	-
TOTAL FEDERAL AWARDS							
		\$ 4,204,948	\$ 1,926,329	\$ 546,849	\$ 1,824,117	\$ 1,809,414	\$ 532,146

The accompanying notes are an integral part of this schedule.

STAR INTERNATIONAL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Star International Academy under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Star International Academy, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Star International Academy. Pass-through entity identify numbers are presented where available.

NOTE 2 - NONCASH ASSISTANCE

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

NOTE 3 - GRANT SECTION AUDITOR REPORT

Management has utilized the Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

NOTE 4 - RECONCILIATION FUNDS STATEMENT - FEDERAL SOURCES

General Fund	\$1,140,217
Food Service Fund	676,966
Deferred Revenue	(7,769)
	<hr/>
Total Revenue per Schedule of Expenditures of Federal Awards	<u>\$1,809,414</u>

**STAR INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified? _____ Yes X No

* Reportable condition(s) identified that are
Not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ Yes X No

* Reportable condition(s) identified that are
Not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Section 501(a)
of Circular A-133? _____ Yes X No

Identification of major program:

CFDA Number	Federal Program
84.010	Title I, Part A

**STAR INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section 2 - Financial Statement Audit Findings

None

Section 3 - Federal Program Audit Findings

None

STAR INTERNATIONAL ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2015

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3 PARKLANE BLVD. SUITE 612
DEARBORN, MICHIGAN 48126
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors
STAR INTERNATIONAL ACADEMY

We have recently completed our audit of the basic financial statements of STAR INTERNATIONAL ACADEMY (the "Academy") as of and for the year ended June 30, 2015. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy.

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Results of the Audit	2 – 5
Recommendations	6
Informational Items	6 – 7

We are grateful for the opportunity to be of service to STAR INTERNATIONAL ACADEMY. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Wilkerson & Associate PC

October 26, 2015

Members: A.I.C.P.A. and M.I.C.P.A.

To the Board of Directors
STAR INTERNATIONAL ACADEMY
October 26, 2015

Results of the Audit

We have audited the financial statements of STAR INTERNATIONAL ACADEMY (the "Academy") as of and for the year ended June 30, 2015 and have issued our report thereon dated October 26, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 13, 2015 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 materials respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing 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 Academy. Our consideration of internal control was 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 and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 26, 2015 regarding our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
STAR INTERNATIONAL ACADEMY
October 26, 2015

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

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 during the preliminary audit phase.

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 Academy 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, 2015.

We noted no transactions entered into by the Academy 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 estimates included in this year's financial statements.

To the Board of Directors
STAR INTERNATIONAL ACADEMY
October 26, 2015

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statements users. There were no particularly sensitive disclosures included in the financial statements.

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 such misstatements identified.

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 statement 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 26, 2015.

Management Consultants 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 the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
STAR INTERNATIONAL ACADEMY
October 26, 2015

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, 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 Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on and audit of financial statements performed in accordance with *Government Auditing Standards*.

This information is intended solely for the use of the board of directors and management of STAR INTERNATIONAL ACADEMY and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

To the Board of Directors
STAR INTERNATIONAL ACADEMY
October 26, 2015

Recommendations

STAR INTERNATIONAL ACADEMY RECOMMENDATIONS

As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis be placed on the Academy's internal controls systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

Informational items

STAR INTERNATIONAL ACADEMY Informational Items

New Rules Governing Management of Federal Programs

In December 2013, the Office of Management and Budget (OMB) issued long-awaited reforms to the compliance requirements that must be followed by non-federal entities receiving federal funding. All schools receiving federal dollars will need to understand the changes made as a result of these reforms and may be required to make some changes to their internal procedures, processes, and controls.

These reforms impact three key areas of federal grants management:

1. **Audit Requirements** – For fiscal years beginning on or after January 1, 2015 (fiscal year ending June 30, 2016 for Michigan schools), the threshold for obtaining a federal awards audit will increase from the current threshold of \$500,000 of annual federal spending to \$750,000. There will also be significant changes to the criteria for qualifying as a low-risk auditee and a reduction in the number of major programs required to be tested for some schools.

The Academy has historically been above the new \$750,000 threshold. However, from time to time, depending upon the level of federal spending, the Academy may drop below the audit requirement threshold and monitoring of federal program expenditures will be important to ensure compliance with the audit requirement.

2. **Cost Principles** – Effective December 26, 2014, the grant reforms related to cost principles go into effect. Not only were certain changes made to allowable costs under this new guidance, but there were significant changes in the area of time and effort reporting and indirect costs. The State of Michigan will have a significant impact on how these changes will be applied to Michigan schools, as they often have different requirements than the federal government in this area.

3. **Administrative Requirements** – Also effective December 26, 2014, non-federal entities receiving federal funding must adhere to new rules related to administering federal awards. Most notably, these requirements may impact the ACADEMY's procurement systems, including maintaining written conflict of interest policies and disclosures as well as updated grants management policies and procedures. The MDE has indicated that failure to adhere to these rules could result in the disqualification for participation in federal programs through the MDE. Please, note, these requirements are more stringent than those required under your federal program audit, which focuses on key controls versus overall process.