

**STAR INTERNATIONAL
ACADEMY**

**Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2016**

STAR INTERNATIONAL ACADEMY

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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, 2016, 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, 2016, 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 25, 2016, 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.

Wilkinson & Associates PC

October 25, 2016

STAR INTERNATIONAL ACADEMY

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

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, 2016. 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, 2016.

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

	Governmental Activities (In Thousands)	
	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current and other Assets	\$ 11,630	\$ 10,275
Capital Assets – Net of Accumulated Depreciation	<u>16,331</u>	<u>17,417</u>
Total Assets	\$ <u>27,961</u>	\$ <u>27,692</u>
<u>Deferred Outflow of Resources</u>		
Deferred cost of refunding	\$ <u>882</u>	\$ <u>935</u>
Total assets and deferred outflow of resources	\$ <u>28,843</u>	\$ <u>28,627</u>
<u>Liabilities</u>		
Current Liabilities	\$ 2,443	\$ 2,253
Long-Term Liabilities	<u>13,240</u>	<u>13,700</u>
Total Liabilities	\$ <u>15,683</u>	\$ <u>15,953</u>
<u>Net Position</u>		
Invested in capital assets – net of related debt	3,091	3,717
Restricted	1,687	1,656
Unrestricted	<u>8,381</u>	<u>7,301</u>
Total Net Position	\$ <u>13,160</u>	\$ <u>12,674</u>

Net position at year-end was \$13,159,975. The Academy's net investment in Capital Assets, net of related debt, was \$3,090,788. The \$8,381,019 in unrestricted net position represents the cumulative operating results for the year ended June 30, 2016 and all prior years.

The Academy's net position increased \$485,467 during the fiscal year ended June 30, 2016 (please refer to Table 2 below). The cost to operate the Academy's programs was \$14,777,850. Partially funding these programs were charges for services and grant revenues totaling \$1,946,533. The remaining cost of the Academy was funded by general revenues, primarily State Aid totaling \$13,148,312 and other local and miscellaneous revenue of \$168,472.

Table 2 – Summary of the Statement of Activities

	Governmental Activities	
	<u>(In Thousands)</u>	
<u>Revenues:</u>	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for Services	\$ 33	\$ 55
Federal Grants	1,913	1,840
General Revenues		
State foundation allowance	13,148	13,391
Other & Incoming Transfers	<u>168</u>	<u>126</u>
Total Revenues	<u>\$ 15,262</u>	<u>\$ 15,412</u>
<u>Function/Program Expenses:</u>		
Instruction	\$ 6,680	\$ 7,022
Support Services	591	580
General, Executive, and Building Administration	2,198	2,283
Food Services	778	757
Business Support Services	260	203
Operating & Maintenance, & Other	2,183	2,033
Depreciation (Unallocated)	1,313	1,269
Interest on long-term debt	<u>774</u>	<u>902</u>
Total Expenses	<u>14,777</u>	<u>15,049</u>
Increase (Decrease) in Net Position	<u>\$ 485</u>	<u>\$ 363</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 \$ 7,391 per student for the school year 2015-2016.
- Student Enrollment: The Academy's student enrollment for the fall count of 2015-2016 was 1,580 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.

Capital Assets

At June 30, 2016 Star International Academy had an investment in capital assets, net of accumulated depreciation, of \$ 16,330,788 (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 \$ 227,264 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 \$ 1,313,291.

Table 3 – Capital Assets

<u>Description</u>	<u>June 30, 2016</u> (in thousands)	<u>June 30, 2015</u> (in thousands)
Land	\$ 1,760	\$ 1,760
Building – Athletic Field	3,535	3,535
Building /Building Improvements	19,445	19,402
Machinery and Equipment	3,327	3,135
School Buses / Vehicles	<u>28</u>	<u>36</u>
Total Capital Assets	\$ 28,095	\$ 27,868
Less Accumulated Depreciation	<u>(11,764)</u>	<u>(10,451)</u>
Net Capital Assets	<u>\$ 16,331</u>	<u>\$ 17,417</u>

Debt

On September 1, 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, 2016 Star International Academy's long-term debt of \$ 13,240,000 was comprised of \$ 475,000 which is the current portion and \$ 12,765,000 which is the non-current portion compared to \$13,700,00 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, 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>\$13,240,000</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, 2016, the Academy's Governmental Funds had a combined fund balance of \$ 9,347,100, an increase of \$ 1,191,128 from June 30, 2015. The contributions of each individual fund are:

General Fund:

The ending balance of the General Fund, the principal operating Fund of the Academy, increased by \$1,194,170 at June 30, 2015 to \$ 9,345,104 from \$ 8,150,934 at June 30, 2015. 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 Fund, is presented in this category. At June 30, 2016, the Food Service Fund equity balance was \$1,996. Revenues of the lunch program were \$3,042 below the expenses for the year 2015-2016.

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 amendments during the year that were approved by the Board of Directors of Star International Academy, and the final budget was approved in June 2016 (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 2015-2016, it received \$ 7,391 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 June 2016 amended (Final) budget reflected actual enrollment based on the October 2015 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>
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
2015 - 2016	14,553,030	14,464,369

<u>Expenditures:</u>		
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
2015 - 2016	14,443,421	13,270,199

Economic Factors affecting Next Year's Budgets:

Our elected officials and administration consider many factors when setting the Academy's 2017 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 2016-2017 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 2017 budget was adopted in June 2016, based on an estimate of students that will be enrolled in September 2016. Approximately 88 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 2016-2017 school years, we anticipate that the fall student count will be close to the estimates used in creating the 2017 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.

STAR INTERNATIONAL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 8,596,069
Other receivables	
State aid	2,398,901
Federal	581,456
Other current assets	53,608
Capital assets, net of accumulated depreciation	<u>16,330,788</u>
 Total Assets	 27,960,821
Deferred Outflow of Resources	
Deferred cost of refunding	<u>882,543</u>
 Total assets and deferred outflow of resources	 28,843,364
Liabilities	
Accounts payable	244,260
Accrued expenses & other current liabilities	1,980,996
Accrued interest	218,133
Long-term liabilities:	
Long-term liabilities, due within one year	475,000
Long-term liabilities, due after one year	<u>12,765,000</u>
 Total Liabilities	 15,683,389
Net Position	
Net investment in capital assets	3,090,788
Restricted for School Lunch	1,996
Restricted for Debt Service Reserve Fund	1,686,172
Unrestricted	<u>8,381,019</u>
 Total Net Position	 <u><u>\$ 13,159,975</u></u>

**STAR INTERNATIONAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		Governmental Activities Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 5,398,207	\$ -	\$ 1,178,355	\$ (4,219,852)
Supporting Services			-	
Pupil Support Services	590,527	-	-	(590,527)
Instructional support services	1,281,988	-	-	(1,281,988)
General administration	2,115,077	-	-	(2,115,077)
School administration services	82,970	-	-	(82,970)
Business services	260,291	-	-	(260,291)
Operations and maintenance	978,445	-	-	(978,445)
Transportation	58,874	-	-	(58,874)
Other support services	1,037,788	-	-	(1,037,788)
Community activities	108,128	-	-	(108,128)
Food services	777,761	33,973	734,205	(9,583)
Depreciation	1,313,291	-	-	(1,313,291)
Debt Issuance & other costs	54,703	-	-	(54,703)
Interest on long-term debt	719,800	-	-	(719,800)
	#####	\$ 33,973	\$ 1,912,560	(12,831,317)
				General Revenues
				State aid - all sources
				Other sources
				13,148,312
				168,472
				Total general revenues
				13,316,784
				Change in Net Position
				485,467
				12,674,508
				Net Position -June 30, 2016
				\$ 13,159,975

**STAR INTERNATIONAL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Non-Major Governmental Funds	Total
ASSETS			
Cash and investments	\$ 8,596,069	\$ -	\$ 8,596,069
Due from other governmental units	2,977,916	2,441	2,980,357
Due from other fund	-	20,611	20,611
Prepaid cost and other current assets	53,608		53,608
Total Assets	\$ 11,627,593	\$ 23,052	\$ 11,650,645
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 244,260	\$ -	\$ 244,260
Due to other funds	30,681		30,681
Accrued expenses	1,949,870	21,056	1,970,926
Total Liabilities	2,224,811	21,056	2,245,867
Deferred Inflows of Resources - Unavailable Revenue	57,678	-	57,678
Total Liabilities and Deferred Inflows of Resources	2,282,489	21,056	2,303,545
Fund Balances			
Non-Spendable Fund Balance:			
Prepaid cost			-
Restricted Fund Balance:			
School Lunch	-	1,996	1,996
Debt Service Reserve Fund	1,686,172		1,686,172
Assigned Fund Balance:			
Capital Projects	5,000,000	-	5,000,000
Unrestricted Fund Balance:			
Unassigned fund balance	2,658,932	-	2,658,932
Total Fund Balance	9,345,104	1,996	9,347,100
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,627,593	\$ 23,052	\$ 11,650,645

**STAR INTERNATIONAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances - Governmental Funds \$ 9,347,100

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

	\$ 28,095,119	
Cost of capital assets		
Accumulated depreciation	(11,764,331)	16,330,788

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. 57,678

Accrued interest payable is not included as a liability in governmental funds (218,133)

Bonds payable and bond issue premiums are not due and payable in the current period and, therefore, are not reported in the funds. (13,240,000)

Unamortized deferred refunding costs are not financial resources and are not reported in the funds. 882,543

Total Net Position - Governmental Activities **\$ 13,159,975**

STAR INTERNATIONAL ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local Sources	\$ 121,570	\$ 33,973	\$ 155,543
State Sources	13,141,771	6,541	13,148,312
Federal Sources	1,154,126	734,205	1,888,331
Other Sources	46,902	-	46,902
Total governmental fund revenues	<u>14,464,369</u>	<u>774,719</u>	<u>15,239,088</u>
Expenditures			
Instruction	5,408,692	-	5,408,692
Supporting Services:			
Pupil Support Services	590,527	-	590,527
Instructional Staff Services	1,345,777	-	1,345,777
General Administration	2,117,377	-	2,117,377
School Administration	82,970	-	82,970
Business Support Services	260,291	-	260,291
Operation and Maintenance, & Facility	1,038,827	-	1,038,827
Transportation	58,874	-	58,874
Support Services Central	987,498	-	987,498
Athletic Activities	140,598	-	140,598
Food Services - Lunch Program	-	777,761	777,761
Community Services	108,128	-	108,128
	<u>670,640</u>	<u>-</u>	<u>670,640</u>
Total Governmental Fund Expenditures	<u>12,810,199</u>	<u>777,761</u>	<u>13,587,960</u>
Excess (Deficiency) of Revenues over Expenditures	1,654,170	(3,042)	1,651,128
Other Financing Sources (Uses)			
Long Term Debt - Bonds	<u>(460,000)</u>	<u>-</u>	<u>(460,000)</u>
Total Other Financing Sources (Uses)	<u>(460,000)</u>	<u>-</u>	<u>(460,000)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	1,194,170	(3,042)	1,191,128
Fund Balance, July 1, 2015	<u>8,150,934</u>	<u>5,038</u>	<u>8,155,972</u>
Fund Balance, June 30, 2016	<u><u>\$ 9,345,104</u></u>	<u><u>\$ 1,996</u></u>	<u><u>\$ 9,347,100</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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	1,191,128
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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	\$ (1,313,291)	
Capitalized capital outlay	<u>227,264</u>	(1,086,027)

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	(33,449)
Current year deferred revenue	57,678

Amortization of deferred refunding costs	(52,953)
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Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(50,910)
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Repayment of bond principal is an expense in governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>460,000</u>
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Change in Net Position of Governmental Activities	\$	<u>485,467</u>
--	-----------	-----------------------

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$383,712 for the year ended June 30, 2016.

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, 2016**

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, 2016**

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, 2016**

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.

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.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Receivables

Receivables at June 30, 2016 consist primarily of state school aid due from the State of Michigan and the federal government. All receivables are expected to be fully collected in July and August of 2016 and are considered current for the purposes of these financial statements.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure is reported in the year in which the services are consumed.

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

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Capital Assets *(continued)*

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, 2016.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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.

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. In the fund financial statements, governmental funds report the following components of the fund balance:

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Equity

- **Nonspendable**- Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted**- Amounts that are legally restricted by outside parties, constitutional provision, or by enabling legislation for use of a specific purpose.
- **Committed**- Amounts that have been formally set aside by the Board of Directors for use and specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Directors.
- **Assigned**- Intent to spend the resources on a specific purpose expressed by the Board of Directors.
- **Unassigned**- Amounts that do not fall into any of the above categories. This is the residual classification for amounts in the General Fund and represents the fund balance that has not been assigned to other funds or has not been restricted, committed or assigned for specific purposes in the General Fund.

Comparative Data

Comparative data is not included in the Academy'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.

Estimates

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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:

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data (continued)

1. Budgets must be adopted for the General Fund and Special Revenue Funds by July 1.
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.

The Academy formally adopted General Fund, and Special Revenue Funds (Food Services) budgets by function for the fiscal year ended June 30, 2016. 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, 2016. 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.

Excess of Expenditures Over Appropriations of Budgetary Funds

The Academy had expenditures in certain functional areas that were insignificantly in excess of amounts appropriated, as described on page 30 of these financial statements. In all cases, adequate fund balance was available to cover these expenditures.

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

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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 \$8,596,069.

The deposits of the Academy were reflected in the accounts of the financial institution at \$8,884,323, of which \$1,291,275 is covered by federal depository insurance.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Disposals and Adjustments	Balance June 30, 2016
Land	\$ 1,760,000	\$ -	\$ -	\$ 1,760,000
Assets being depreciated:				
Building and improvements	10,667,149	43,192	-	10,710,341
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	2,932,553	191,507	-	3,124,060
Other equipment	202,739	-	-	202,739
School buses and vehicles	35,670	-	(7,435)	28,235
Subtotal	27,867,855	234,699	(7,435)	28,095,119
Accumulated depreciation:				
Building and improvements	4,609,156	385,184	-	4,994,340
George Street Building	1,953,745	268,922	-	2,222,667
Office Building	266,409	45,530	-	311,939
Building - Athletic field	883,735	176,747	-	1,060,482
Furniture and equipment	2,554,658	415,940	-	2,970,598
Other equipment	161,405	20,274	-	181,679
School buses and vehicles	21,930	2,329	(1,635)	22,624
Subtotal	10,451,039	1,314,927	(1,635)	11,764,330
Net capital assets being depreciated	15,656,817	(1,080,227)	(5,800)	14,570,790
Net capital assets	<u>\$ 17,416,815</u>	<u>\$ (1,080,227)</u>	<u>\$ (5,800)</u>	<u>\$ 16,330,788</u>

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, 2016**

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, 2016**

	PRINCIPAL	ANNUAL INTEREST	ANNUAL DEBT SERVICE
ORIGINAL LOAN	\$ 14,590,000	\$ 8,349,612	\$ 22,939,612
TOTAL PAYMENTS	(1,350,000)	(2,379,962)	(3,729,962)
BALANCE JUNE 30, 2016	\$ 13,240,000	\$ 5,969,650	\$ 19,209,650

THE BONDS ACTIVITY CAN BE SUMMARIZED AS FOLLOWS:

BEGINNING BALANCE JULY 1, 2015	PAYMENTS	BALANCE AT JUNE 30, 2015	DUE WITHIN ONE YEAR
\$ 13,700,000	\$ 460,000	\$ 13,240,000	\$ 475,000

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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>
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	<u>\$ 13,240,000</u>	<u>\$ 5,969,650</u>	<u>\$ 19,209,650</u>

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 (MPERS). 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, 2016. HES was paid \$1,462,704 for providing management services during the year.

NOTE 9- SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 25, 2016, 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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local Sources	\$ 75,250	\$ 65,700	\$ 121,570	\$ 55,870
State Sources	13,528,204	13,141,856	13,141,771	(85)
Federal Sources	1,137,884	1,298,572	1,154,126	(144,446)
Incoming Transfers and Other Transactions	-	46,902	46,902	-
Total governmental fund revenues	14,741,338	14,553,030	14,464,369	(88,661)
Expenditures				
Current				
Instructional Services	6,618,689	6,055,797	5,408,692	(647,105)
Supporting Services:				
Pupil Support Services	718,060	613,380	590,527	(22,853)
Instructional Staff Services	1,706,872	1,520,251	1,345,777	(174,474)
General Administration	2,380,982	2,204,384	2,117,377	(87,007)
School Administration	115,310	87,222	82,970	(4,252)
Business Support Services	218,611	283,261	260,291	(22,970)
Operations and Maintenance, and Facility	1,052,260	1,172,922	1,038,827	(134,095)
Transportation	60,670	61,006	58,874	(2,132)
Other Support Services	880,293	995,356	987,498	(7,858)
Athletic Activities	179,404	192,215	140,598	(51,617)
Community Services	173,139	126,987	108,128	(18,859)
Principal & interest on Long-Term Debt	1,128,890	1,130,640	1,130,640	-
Total governmental fund expenditures	15,233,180	14,443,421	13,270,199	(1,173,222)
	(491,842)	109,609	1,194,170	1,084,561
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(51,339)	-	-	-
Total Other Financing Sources (uses)	(51,339)	-	-	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	(543,181)	109,609	1,194,170	1,084,561
Fund Balance - July 1, 2015	7,564,540	8,150,934	8,150,934	-
Fund Balance - June 30, 2016	\$ 7,021,359	\$ 8,260,543	\$ 9,345,104	\$ 1,084,561

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, 2016**

	Food Services
Revenues	
Local Sources	\$ 33,973
State Sources	6,541
Federal Sources	<u>734,205</u>
Total Revenues	774,719
 Expenditures	
Food Services	<u>777,761</u>
Total Expenditures	777,761
 Other Financing Sources	
Operating Transfers	<u>-</u>
Excess of Revenues Over Expenditures and Other Financing Sources	(3,042)
Fund Balance - July 1, 2015	<u>5,038</u>
Fund Balance - June 30, 2016	<u><u>\$ 1,996</u></u>

STAR INTERNATIONAL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2016

SECTION A

**STAR INTERNATIONAL ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT**

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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*

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, the major fund, and the aggregate remaining fund information of Star International Academy (the Academy), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Star International Academy's basic financial statements, and have issued our report thereon dated October 25, 2016.

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 Star International Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Star International Academy's internal control.

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wilkinson & Associates PC

Dearborn, Michigan
October 25, 2016

Wilkerson & Associate P.C.

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THOMAS E. WILKERSON, C.P.A.

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Star International Academy

Report on Compliance for each Major Federal program

We have audited Star International Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Star International Academy's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance

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

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 consider 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.

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, 2016.

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 the Uniform Guidance, 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 Star International Academy'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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2016 and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements, and have issued our report thereon dated October 25, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management as was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information

Star International Academy
To the Board of Directors
Page 4

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 standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson & Associates PC

Dearborn, Michigan
October 25, 2016

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2015	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2016
Cluster:							
Child Nutrition Cluster:							
U.S. Department of Agriculture - Passed through the							
Michigan Department of Education:							
Non-Cash Assistance (Commodities) 2015-2016							
National School Lunch Program	10.555	35,258	-	-	35,258	35,258	-
Cash Assistance							
National School Breakfast Program - 2014-2015 (Grant No. 151970)	10.553	104,710	92,921	5,841	17,630	11,789	-
National School Breakfast Program - 2015-2016 (Grant No. 161970)	10.553	116,407	-	-	116,407	116,407	-
National School Lunch Program - 2014-2015 (Grant No. 151960)	10.555	529,923	484,768	29,854	75,008	45,155	-
National School Lunch Program - 2015-2016 (Grant No. 161960)	10.555	512,376	-	-	512,376	512,376	-
National School Lunch Program - 2015-2016 (Grant No. 161980)	10.555	13,220	-	-	13,220	13,220	-
Total Cash Assistance		1,276,636	577,689	35,695	734,642	698,947	-
Total Child Nutrition Cluster		1,311,894	577,689	35,695	769,900	734,205	-
Special Education Cluster - U.S. Department of Education -							
Passed through the Wayne County RESA - IDEA -							
IDEA - Regular Flow through 2014-2015 (Grant No. 151450)	84.027	107,720	107,720	107,720	107,720	-	-
IDEA - Regular Flow through 2015-2016 (Grant No. 161450)	84.027	125,538	-	-	-	125,538	125,538
Total Special Education Cluster		233,258	107,720	107,720	107,720	125,538	125,538
Other Federal Awards:							
U.S. Department of Education - Passed through							
the Michigan Department of Education - Title I, Part A:							
Improving Basic Program - 2014-2015 Regular - (Grant No. 151530)	84.010	971,051	799,137	185,218	209,727	-	-
Improving Basic Program - 2015-2016 Regular - (Grant No. 161530)	84.010	1,110,586	-	-	499,319	914,403	366,389
Total Title I		2,081,637	799,137	185,218	709,046	914,403	366,389

The accompanying notes are an integral part of this schedule.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2015	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	FEDERAL FUNDS/ EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2016
Other Federal Awards (cont'd):							
U.S. Department of Education - Passed through through the Michigan Department of Education- Title II Part A:							
Teacher/Principal Training -2014-2015 (Grant No. 150520)	84.367	111,163	25,146	13,153	15,257	-	-
Teacher/Principal Training -2015-2016 (Grant No. 160520)	84.367	111,827	-	-	22,148	22,148	-
Total Title II		222,990	25,146	13,153	37,405	22,148	-
U.S. Department of Education - Passed through through the Michigan Department of Education- Title III Part A:							
Limited English Proficient Student Grant:							
Title III, Immigrant Students - 2014-2015 (Grant No. 150570)	84.365	56,713	20,326	20,326	21,063	-	-
Title III, Immigrant Students - 2015-2016 (Grant No. 160570)	84.365	68,761	-	-	9,224	15,834	906
Title III, Limited English - 2014-2015 (Grant No. 150580)	84.365	185,549	180,120	170,034	173,633	-	-
Title III, Limited English - 2016-2016 (Grant No. 160580)	84.365	163,595	-	-	68,706	102,933	30,945
Total Title III		474,618	200,446	190,360	272,626	118,767	31,851
Total noncluster programs passed through the Michigan Department of Education		2,779,245	1,024,729	388,731	1,019,077	1,055,317	398,240
TOTAL FEDERAL AWARDS		\$ 4,324,397	\$ 1,710,138	\$ 532,146	\$ 1,896,697	\$ 1,915,060	\$ 523,778

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, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Star International Academy under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

Star International Academy has elected to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – RECONCILIATION FUNDS STATEMENT – FEDERAL SOURCES

General Fund	\$1,154,126
Food Service Fund	734,205
Deferred Revenue from prior year	(30,949)
Deferred Revenue Current Year	<u>57,678</u>
Total Revenue per Schedule of Expenditures of Federal Awards	<u><u>\$1,915,060</u></u>

NOTE 5 - GRANT SECTION AUDITOR REPORT

Management has utilized the Cash Management System (CMS) Grant Auditor Report and the related Disbursement and Payment Ledger reports, in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

**STAR INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Audit Requirements of the Uniform Guidance? Yes X No

Identification of major program:

CFDA Number	Federal Program
10.553, 10.555, 10.582	Child Nutrition Cluster

**STAR INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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, 2016

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, 2016. 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 Audit	2-5
Recommendations	6
Informational Items	6

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 25, 2016

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

To the Board of Directors
Star International Academy
October 25, 2016

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, 2016 and have issued our report thereon dated October 25, 2016. 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 2, 2016, 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. 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 25, 2016 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 25, 2016

We are also obligated to communicate certain matters related to our audit of 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 the Academy 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 1 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, 2016.

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 25, 2016

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement 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 25, 2016.

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 consultant 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 consultants with other accountants.

To the Board of Directors
Star International Academy
October 25, 2016

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 an 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 25, 2016

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 to be placed on the Academy's internal control 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 Item

EARLY WARNING INDICATORS

Early Warning Legislation was enacted July 7, 2015 to address districts and Public School Academies with early warning indicators of financial stress. This legislation included five legislative bills that address any district or PSA with a general fund balance of less than 5% of the general fund revenue in either of the two most recent fiscal years. These schools are required to send budgetary assumptions to the Center for Educational Performance and Information (CEPI). The MDE and Department of Treasury analyze and review this information in an effort to make determinations of potential financial stress. The Office of State Aid and School Finance worked collaboratively with the Department of Treasury to help those districts identified as being in financial stress either through an administrative review conducted by the school district's ISD or the academy's authorizer or through increased reporting to the Department of Treasury. The goal is to prevent districts or academies from going into a budget deficit.