

**STAR INTERNATIONAL  
ACADEMY**

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**Financial Report  
with Supplemental Information  
and Single Audit Report  
June 30, 2018**

# STAR INTERNATIONAL ACADEMY

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# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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.

## Independent Auditor's Report

To the Board of Directors of  
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, 2018, 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, 2018, 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 21, 2018, 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 21, 2018

# **STAR INTERNATIONAL ACADEMY**

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

## **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018**

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, 2018. 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: Government-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 government-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 government-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**

Government-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for Major Fund

## **Government-Wide Financial Statements**

The Government-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. Government-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, 2018.

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

	<b>Governmental Activities (in thousands)</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 9,211	\$ 11,708
Capital Assets – Net of Accumulated Depreciation	<u>20,118</u>	<u>15,445</u>
<b>Total Assets</b>	<b><u>29,329</u></b>	<b><u>27,153</u></b>
<b><u>Deferred Outflow of Resources</u></b>		
Deferred Cost of Refunding	<u>777</u>	<u>830</u>
<b>Total assets and deferred outflow of resources</b>	<b><u>\$ 30,106</u></b>	<b><u>\$ 27,983</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 2,633	\$ 2,238
Long-Term Liabilities	<u>14,275</u>	<u>12,765</u>
<b>Total Liabilities</b>	<b><u>\$ 16,908</u></b>	<b><u>\$ 15,003</u></b>
<b><u>Net Position</u></b>		
Invested in Capital Assets – Net of Related Debt	2,862	2,680
Restricted	1,869	1,750
Unrestricted	<u>8,467</u>	<u>8,550</u>
<b>Total Net Position</b>	<b><u>\$ 13,198</u></b>	<b><u>\$ 12,980</u></b>

Net position at year-end was \$13,197,990. The Academy's net investment in Capital Assets, net of related debt, was \$2,861,674. The \$8,467,255 in unrestricted net position represents the cumulative operating results for the year ended June 30, 2018 and all prior years.

The Academy's net position increased by \$218,323 during the fiscal year ended June 30, 2018 (please refer to Table 2 below). The cost to operate the Academy's programs was \$ 15,144,686. Partially funding these programs were charges for services and grant revenues totaling \$1,985,894. The remaining cost of the Academy was funded by general revenues, primarily State Aid totaling \$13,263,479 and other local and miscellaneous revenue of \$113,636.



**Table 2 – Summary of the Statement of Activities**

	<b>Governmental Activities (in thousands)</b>	
<b><u>Revenues:</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Program Revenues		
Charges for Services	\$ 19	\$ 21
Federal Grants	1,967	2,100
General Revenues		
State foundation allowance	13,263	12,711
Other & Incoming Transfers	<u>114</u>	<u>169</u>
<b>Total Revenues</b>	<b><u>\$ 15,363</u></b>	<b><u>\$ 15,001</u></b>
<b><u>Function/Program Expenses:</u></b>		
Instruction	\$ 7,060	\$ 6,977
Support Services	629	615
General, Executive and Building Administration	2,357	2,225
Food Services	738	757
Business Support Services	300	252
Operating, Maintenance & Other	2,385	2,647
Depreciation (Unallocated)	1,040	1,059
Interest on Long-Term Debt	<u>636</u>	<u>649</u>
<b>Total Expenses</b>	<b><u>15,145</u></b>	<b><u>15,181</u></b>
<b>Increase (Decrease) in Net Position</b>	<b><u>\$ 218</u></b>	<b><u>\$ (180)</u></b>

**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 \$ 7,631 per student for the school year 2017-2018.
- Student Enrollment: The Academy's student enrollment for the fall count of 2017-2018 was 1,521 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, 2018 Star International Academy had an investment in capital assets, net of accumulated depreciation, of \$ 17,136,674 (please refer to Table 3 below). This includes the building, building improvements, 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 \$ 2,732,496 of capital assets during the year. This includes the purchase of a building in Canton for \$2,266,307. Other additions include 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 \$ 1,040,452.

### **Table 3 – Capital Assets**

<b><u>Description</u></b>	<b><u>June 30, 2018</u></b> (in thousands)	<b><u>June 30, 2017</u></b> (in thousands)
Land	\$ 1,760	\$ 1,760
Building – Athletic Field	3,534	3,535
Building – Canton	2,266	0
Building /Building Improvements	19,445	19,445
Machinery and Equipment	3,954	3,488
School Buses / Vehicles	<u>39</u>	<u>40</u>
Total Capital Assets	\$ 31,000	\$ 28,268
Less Accumulated Depreciation	<u>(13,863)</u>	<u>(12,823)</u>
<b>Net Capital Assets</b>	<b><u>\$ 17,137</u></b>	<b><u>\$ 15,445</u></b>

## **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, 2018 Star International Academy's long-term debt from the bonds of \$ 12,275,000 was comprised of \$ 515,000 which is the current portion and \$ 11,760,000 which is the non-current portion compared to \$12,765,00 at the same time last year (please refer to Table 4).

On June 27, 2018, Star International Academy signed a 5 year note in the amount of \$2,000,000 for the acquisition of a new facility. At June 30, 2018, the balance of the note is \$2,000,000. Interest only payments are made on this note for the first 18 months.

#### **Table 4 – Outstanding Long-Term Liabilities**

Maturity schedules and interest rates for the long-term liabilities are as follows:

##### **Bonds Payable**

<b><u>Maturity Date</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>
March 1, 2019	515,000	5.00%
March 1, 2020	540,000	5.00%
March 1, 2021	570,000	5.00%
March 1, 2022 - March 1, 2026	3,305,000	5.00%
March 1, 2027 - March 1, 2031	4,215,000	5.00%
March 1, 2032 - March 1, 2033	<u>3,130,000</u>	5.00%
<b>Total</b>	<b><u>\$12,275,000</u></b>	

##### **Notes Payable**

<b><u>Payment Period</u></b>	<b><u>Principal Payments</u></b>	<b><u>Interest Rate</u></b>
June 30, 2020	35,000	3.00%
June 30, 2021	84,000	3.00%
June 30, 2022	84,000	3.00%
June 30, 2023	<u>1,797,000</u>	3.00%
<b>Total</b>	<b><u>\$2,000,000</u></b>	

#### **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, 2018, the Academy's Governmental Funds had a combined fund balance of \$ 9,551,516, a decrease of (\$127,013) from June 30, 2017. The contributions of each individual fund are:

## **General Fund**

The ending balance of the General Fund, the principal operating fund of the Academy, decreased by (\$204,701) at June 30, 2018 to \$ 9,444,131 from \$ 9,648,832 at June 30, 2017. The decrease is primarily attributable to the purchase of a building 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 fund - Food Service Fund, is presented in this category. At June 30, 2018, the Food Service Fund balance was \$107,385. Revenues of the food services program were \$77,688 above the expenses for the year 2017-2018.

## **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 2018 (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 2017-2018, it received \$ 7,631 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 2018 amended (Final) budget reflected actual enrollment based on the October 2017 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**

<b><u>Revenues:</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>
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

(continued)

<b><u>Revenues:</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>
2013 - 2014	14,087,454	14,912,390
2014 - 2015	15,653,959	15,389,047
2015 - 2017	14,553,030	14,464,369
2017 - 2018	14,270,746	14,269,739
2017 - 2018	16,689,525	16,338,535

<b><u>Expenditures:</u></b>		
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 - 2017	14,443,421	13,270,199
2017 - 2018	14,575,506	13,966,011
2018 - 2019	17,213,110	16,543,236

### **Economic Factors affecting Next Year's Budgets:**

Our elected officials and administration consider many factors when setting the Academy's 2018 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 2017-2018 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 2018 budget was adopted in June 2017, based on an estimate of students that will be enrolled in September 2017. 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 2017-2018 school years, we anticipate that the fall student count will be close to the estimates used in creating the 2018 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 Governments. The State periodically holds a revenue-estimating conference to estimate revenues.

**STAR INTERNATIONAL ACADEMY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,449,410
Cash and cash equivalents-restricted	1,761,676
Receivables	
State aid	2,347,760
Federal	588,292
Other	12,863
Prepaid cost	32,550
Capital assets, net of accumulated depreciation	17,136,674
Total Assets	29,329,225
<b>Deferred Outflow of Resources</b>	
Deferred cost of refunding	776,638
Total Assets and Deferred Outflow of Resources	30,105,863
<b>Liabilities</b>	
Accounts payable	528,513
Accrued expenses & other current liabilities	1,899,778
Accrued interest	204,583
Long-term liabilities:	
Long-term liabilities, due within one year	515,000
Long-term liabilities, due after one year	13,760,000
Total Liabilities	16,907,874
<b>Net Position</b>	
Net investment in capital assets	2,861,674
Restricted	1,869,061
Unrestricted	8,467,255
Total Net Position	<b>\$ 13,197,990</b>

**STAR INTERNATIONAL ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Instruction	\$ 5,451,960	\$ -	\$ 1,196,875	\$ (4,255,085)
Supporting Services				
Pupil support services	629,228	-	-	(629,228)
Instructional support services	1,608,746	-	-	(1,608,746)
General administration	2,165,733	-	-	(2,165,733)
School administration services	191,420	-	-	(191,420)
Business services	300,646	-	-	(300,646)
Operations and maintenance	960,349	-	-	(960,349)
Transportation	57,939	-	-	(57,939)
Other support services	1,157,779	-	-	(1,157,779)
Community activities	152,440	-	-	(152,440)
Food services	738,708	18,549	770,470	50,311
Depreciation	1,040,452	-	-	(1,040,452)
Debt issuance & other costs	52,953	-	-	(52,953)
Interest on long-term debt	636,333	-	-	(636,333)
<b>Total Governmental Activities</b>	<u>\$ 15,144,686</u>	<u>\$ 18,549</u>	<u>\$ 1,967,345</u>	(13,158,792)
General Revenues				
State aid - all sources				13,263,479
Other sources				<u>113,636</u>
<b>Total General Revenues</b>				<u>13,377,115</u>
<b>Change in Net Position</b>				218,323
<b>Net Position -July 1, 2017</b>				<u>12,979,667</u>
<b>Net Position -June 30, 2018</b>				<u><u>\$ 13,197,990</u></u>

**STAR INTERNATIONAL ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,449,410	\$ -	\$ 7,449,410
Cash and cash equivalents-restricted	1,761,676	-	1,761,676
Due from other governmental units	2,913,069	22,983	2,936,052
Due from other funds	-	104,093	104,093
Other receivables	12,863	-	12,863
Prepaid cost	32,550	-	32,550
<b>Total Assets</b>	<b>\$ 12,169,568</b>	<b>\$ 127,076</b>	<b>\$ 12,296,644</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 528,513	\$ -	\$ 528,513
Due to other funds	115,833	-	115,833
Accrued expenses	1,868,347	19,691	1,888,038
<b>Total Liabilities</b>	2,512,693	19,691	2,532,384
<b>Deferred Inflows of Resources - Unavailable revenue</b>	212,744	-	212,744
<b>Total Liabilities and Deferred Inflows of Resources</b>	2,725,437	19,691	2,745,128
<b>Fund Balances</b>			
<b>Non-Spendable Fund Balance:</b>			
Prepaid cost	32,550	-	32,550
<b>Restricted Fund Balance:</b>			
Food service	-	107,385	107,385
Debt service	1,761,676	-	1,761,676
<b>Assigned Fund Balance:</b>			
Capital projects	5,000,000	-	5,000,000
<b>Unrestricted Fund Balance:</b>			
Unassigned fund balance	2,649,905	-	2,649,905
<b>Total Fund Balance</b>	9,444,131	107,385	9,551,516
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,169,568</b>	<b>\$ 127,076</b>	<b>\$ 12,296,644</b>



**STAR INTERNATIONAL ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

**Total Fund Balances - Governmental Funds** \$ 9,551,516

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

	\$ 31,000,239	
Cost of capital assets		
Accumulated depreciation	(13,863,565)	17,136,674

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. 212,744

Accrued interest payable is not included as a liability in governmental funds (204,583)

Bonds payable and bond issue premiums are not due and payable in the current period and, therefore, are not reported in the funds. (12,275,000)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: (2,000,000)

Unamortized deferred refunding costs are not financial resources and are not reported in the funds. 776,638

**Total Net Position - Governmental Activities** **\$ 13,197,990**

**STAR INTERNATIONAL ACADEMY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Local sources	\$ 113,636	\$ 18,549	\$ 132,185
States sources	13,236,102	27,377	13,263,479
Federal sources	988,797	770,470	1,759,267
Other Sources	2,000,000	-	2,000,000
<b>Total Governmental Fund Revenues</b>	<b>16,338,535</b>	<b>816,396</b>	<b>17,154,931</b>
<b>Expenditures</b>			
<b>Instruction</b>	5,451,960	-	5,451,960
<b>Supporting Services:</b>			
Pupil support services	629,228	-	629,228
Instructional staff	1,608,746	-	1,608,746
General administration	2,165,733	-	2,165,733
School administration	191,420	-	191,420
Business support services	300,646	-	300,646
Operations and maintenance	983,067	-	983,067
Transportation	57,939	-	57,939
Central support services	1,425,586	-	1,425,586
Athletic activities	175,664	-	175,664
Food services	-	738,708	738,708
Community services	152,440	-	152,440
Facilities Acquisition & Improvement	2,266,307	-	2,266,307
Principal, interest & fees on long-term debt	1,134,500	-	1,134,500
<b>Total Governmental Fund Expenditures</b>	<b>16,543,236</b>	<b>738,708</b>	<b>17,281,944</b>
<b>Excess (Deficiency) of Revenues over Expenditures:</b>	(204,701)	77,688	(127,013)
<b>Fund Balance, July 1, 2017</b>	<b>9,648,832</b>	<b>29,697</b>	<b>9,678,529</b>
<b>Fund Balance, June 30, 2018</b>	<b>\$ 9,444,131</b>	<b>\$ 107,385</b>	<b>\$ 9,551,516</b>

**STAR INTERNATIONAL ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2018**

**Total Net Change in Fund Balances - Governmental Funds** \$ (127,013)

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	\$ (1,040,452)	
Capitalized capital outlay	<u>2,732,496</u>	1,692,044

Proceeds of note is recorded as other financing sources, however issuing debt increases long term liabilities and does not impact the statement of activities (2,000,000)

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	(4,666)
Current year deferred revenue	212,744

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 8,167

Repayment of bond principal is an expense in governmental funds, but not in the statement of activities (where it reduces long-term debt) 490,000

**Change in Net Position of Governmental Activities** **\$ 218,323**

**STAR INTERNATIONAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 \$370,726 for the year ended June 30, 2018.

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, 2018**

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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**

**Government-Wide Statements**

The government-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, 2018**

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

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

**Government-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, 2018**

**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 Food Service 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, 2018**

**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, 2018 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 2018 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, 2018, 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, 2018**

**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, 2018.

**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, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Fund Equity**

- **Non-spendable-** 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.

Government-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, 2018**

**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 Fund (Food Services) budgets by function for the fiscal year ended June 30, 2018. 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, 2018. 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, 2018**

**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 \$9,211,086.

The deposits of the Academy were reflected in the accounts of the financial institution at \$9,212,655, of which \$1,261,947 is covered by federal depository insurance.

**STAR INTERNATIONAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 - CAPITAL ASSETS**

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

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Balance June 30, 2018</b>
Land	\$ 1,760,000	\$ -	\$ -	\$ 1,760,000
Assets being depreciated:				
Building and improvements	10,710,341	-	-	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
Building - Canton	-	2,266,307	-	2,266,307
Furniture and equipment	3,285,344	466,189	-	3,751,533
Other equipment	202,739	-	-	202,739
School buses and vehicles	39,575	-	-	39,575
Subtotal	28,267,743	2,732,496	-	31,000,239
Accumulated depreciation:				
Building and improvements	5,379,912	385,572	-	5,765,484
George Street Building	2,491,590	268,922	-	2,760,512
Office Building	357,470	45,530	-	403,000
Building - Athletic field	1,237,230	176,747	-	1,413,977
Furniture and equipment	3,129,460	159,628	-	3,289,088
Other equipment	201,953	786	-	202,739
School buses and vehicles	25,498	3,265	-	28,763
Subtotal	12,823,113	1,040,450	-	13,863,562
Net capital assets being depreciated	12,823,113	1,040,452	-	13,863,565
Net capital assets	<u>\$ 15,444,630</u>	<u>\$ 1,692,044</u>	<u>\$ -</u>	<u>\$ 17,136,674</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, 2018**

**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, 2018**

	<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>(2,315,000)</u>	<u>(3,672,612)</u>	<u>(5,987,612)</u>
<b>BALANCE JUNE 30, 2018</b>	<u><u>\$ 12,275,000</u></u>	<u><u>\$ 4,677,000</u></u>	<u><u>\$ 16,952,000</u></u>

THE BONDS ACTIVITY CAN BE SUMMARIZED AS FOLLOWS:

<u>BEGINNING BALANCE JULY 1, 2017</u>	<u>PAYMENTS</u>	<u>BALANCE AT JUNE 30, 2018</u>	<u>DUE WITHIN ONE YEAR</u>
\$ 12,765,000	\$ 490,000	\$ 12,275,000	\$ 515,000

**STAR INTERNATIONAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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>
2018-2019	515,000	613,750	1,128,750
2019-2020	540,000	588,000	1,128,000
2020-2021	570,000	561,000	1,131,000
2021-2025	3,305,000	2,347,500	5,652,500
2025-2030	4,215,000	1,435,000	5,650,000
2030-2033	3,130,000	(868,250)	2,261,750
<b>TOTAL</b>	<b>\$ 12,275,000</b>	<b>\$ 4,677,000</b>	<b>\$ 16,952,000</b>

**NOTES PAYABLE  
JUNE 30, 2018**

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>
ORIGINAL LOAN	\$ 2,000,000	\$ 290,406	\$ 2,290,406
TOTAL PAYMENTS	-	-	-
<b>BALANCE JUNE 30, 2018</b>	<b>\$ 2,000,000</b>	<b>\$ 290,406</b>	<b>\$ 2,290,406</b>

**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.

**STAR INTERNATIONAL ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018. HES was paid \$1,478,711 for providing management services during the year.

**NOTE 9- SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 21, 2018, 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, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Over/(Under)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local sources	\$ 64,975	\$ 81,450	\$ 113,636	\$ 32,186
State sources	12,812,463	13,235,530	13,236,102	572
Federal sources	1,361,191	1,372,545	988,797	(383,748)
Incoming Transfers and Other Transactions	-	2,000,000	2,000,000	-
<b>Total Governmental Fund Revenues</b>	<b>14,238,629</b>	<b>16,689,525</b>	<b>16,338,535</b>	<b>(350,990)</b>
<b>Expenditures</b>				
Instructional Services	6,005,198	5,850,367	5,451,960	(398,407)
Supporting Services:				-
Pupil support services	647,030	654,319	629,228	(25,091)
Instructional staff services	1,356,786	1,578,805	1,608,746	29,941
General administration	2,051,121	2,201,607	2,165,733	(35,874)
School administration	208,690	189,454	191,420	1,966
Business support services	271,518	321,196	300,646	(20,550)
Operation and maintenance	1,145,150	1,099,387	983,067	(116,320)
Transportation	72,878	63,074	57,939	(5,135)
Other support services	1,242,737	1,409,889	1,425,586	15,697
Athletic activities	174,724	236,105	175,664	(60,441)
Community services	145,099	173,407	152,440	(20,967)
Payments to Other Public Schools	-	-	-	-
Facilities Acquisition & Improvement	-	2,300,000	2,266,307	(33,693)
Capital Outlay	-	-	-	-
Principal, interest & fees on long-term debt	1,130,750	1,135,500	1,134,500	(1,000)
<b>Total Governmental Fund Expenditures</b>	<b>14,451,681</b>	<b>17,213,110</b>	<b>16,543,236</b>	<b>(669,874)</b>
	<b>(213,052)</b>	<b>(523,585)</b>	<b>(204,701)</b>	<b>318,884</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in		-	-	-
Operating transfers out	(4,292)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(4,292)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses</b>	<b>(217,344)</b>	<b>(523,585)</b>	<b>(204,701)</b>	<b>318,884</b>
<b>Fund Balance, July 1, 2017</b>	<b>9,114,694</b>	<b>9,648,832</b>	<b>9,648,832</b>	<b>-</b>
<b>Fund Balance, June 30, 2018</b>	<b>\$ 8,897,350</b>	<b>\$ 9,125,247</b>	<b>\$ 9,444,131</b>	<b>\$ 318,884</b>

**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, 2018**

<b>Revenues</b>	<u><b>Food Services</b></u>
Local sources	\$ 18,549
State sources	27,377
Federal sources	<u>770,470</u>
Total Revenues	816,396
<b>Expenditures</b>	
Food services	<u>738,708</u>
Total Expenditures	738,708
<b>Excess of Revenues Over Expenditures</b>	77,688
<b>Fund Balance, July 1, 2017</b>	<u>29,697</u>
<b>Fund Balance, June 30, 2018</b>	<u><u>\$ 107,385</u></u>

**STAR INTERNATIONAL ACADEMY**

**SUPPLEMENTAL INFORMATION**

**SINGLE AUDIT REPORT**

**JUNE 30, 2018**

**SECTION A**

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

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# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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.

## **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 of  
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, 2018, 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 21, 2018.

### **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 & Associate PC*

Dearborn, Michigan  
October 21, 2018



# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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.

## **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 of  
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, 2018. 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, 2018.

**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, 2018 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 21, 2018, 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 & Associate PC*

Dearborn, Michigan  
October 21, 2018

**STAR INTERNATIONAL ACADEMY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2017	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2018
<b>Cluster:</b>							
Child Nutrition Cluster:							
U.S. Department of Agriculture - Passed through the							
Michigan Department of Education:							
Non-Cash Assistance (Commodities) 2017-2018							
National School Lunch Program - Regular	10.555	\$ 60,915	\$ -	\$ -	\$ 60,915	\$ 60,915	\$ -
Cash Assistance							
National School Breakfast Program - 2016-2017 (Grant No. 171970)	10.553	131,387	112,214	4,964	24,137	19,173	-
National School Breakfast Program - 2017-2018 (Grant No. 181970)	10.553	115,417	-	-	110,758	115,417	4,659
National School Lunch Program - 2016-2017 (Grants No. 171960)	10.555	548,074	485,654	19,506	81,926	62,420	-
National School Lunch Program - 2017-2018 (Grants No. 181960)	10.555	501,714	-	-	487,586	501,714	14,128
National School Lunch Program - 2016-2017 (Grants No. 171980)	10.555	14,023	13,838	81	266	185	-
National School Lunch Program - 2017-2018 (Grants No. 181980)	10.555	10,645	-	-	10,527	10,645	119
<b>Total Cash Assistance</b>		<u>1,321,261</u>	<u>611,706</u>	<u>24,550</u>	<u>715,199</u>	<u>709,555</u>	<u>18,906</u>
<b>Total Child Nutrition Cluster</b>		1,382,176	611,706	24,550	776,114	770,469	18,906
Special Education Cluster - U.S. Department of Education -							
Passed through the Wayne County RESA - IDEA							
IDEA - Regular Flow through 2016-2017 (Grant No. 170450)	84.027	134,564	134,564	134,564	134,564	-	-
IDEA - Regular Flow through 2017-2018 (Grant No. 180450)	84.027	123,565	-	-	104,198	123,565	19,367
<b>Total Special Education Cluster</b>		258,129	134,564	134,564	238,762	123,565	19,367
<b>Other Federal Awards:</b>							
U.S. Department of Education - Passed through							
the Michigan Department of Education -							
Title I, Part A:							
Improving Basic Program - 2016-2017 Regular (Grant No. 171530)	84.010	1,146,695	922,991	244,638	315,386	70,748	-
Improving Basic Program - 2017-2018 Regular (Grant No. 181530)	84.010	1,085,124	-	-	407,903	774,826	366,923
<b>Total Title I</b>		2,231,819	922,991	244,638	723,289	845,574	366,923

**STAR INTERNATIONAL ACADEMY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2017	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2018
<b>Other Federal Awards (con't):</b>							
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title II, Part A:							
Teacher/Principal Training - 2016-2017 (Grant No. 170520)	84.367	105,151	71,533	1,350	1,844	494	-
Teacher/Principal Training - 2017-2018 (Grant No. 180520)	84.367	163,058	-	-	105,212	106,050	838
<b>Total Title II</b>		<b>268,209</b>	<b>71,533</b>	<b>1,350</b>	<b>107,056</b>	<b>106,544</b>	<b>838</b>
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 - 2016-2017 (Grant No. 170570)	84.365	33,111	2,597	2,597	2,597	-	-
Title III, Limited English - 2016-2017 (Grant No. 170580)	84.365	221,619	149,360	11,423	12,391	968	-
Title III, Limited English - 2017-2018 (Grant No. 180580)	84.365	233,107	-	-	-	107,588	107,588
<b>Total Title III</b>		<b>487,837</b>	<b>151,957</b>	<b>14,020</b>	<b>14,988</b>	<b>108,555</b>	<b>107,588</b>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title IV, Part A:							
Student Support & Academic Enrich. - 2017-2018 (Grant No. 180750)	84.424	15,480	-	-	-	12,636	12,636
<b>Total Title IV</b>		<b>15,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,636</b>	<b>12,636</b>
Total noncluster programs passed through the Michigan Department of Education		3,003,345	1,146,481	260,008	845,333	1,073,310	487,985
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ 4,643,650</b>	<b>\$ 1,892,751</b>	<b>\$ 419,122</b>	<b>\$ 1,860,209</b>	<b>\$ 1,967,345</b>	<b>\$ 526,258</b>

**STAR INTERNATIONAL ACADEMY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018. 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 lesser of the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance or the indirect cost rate allowable per the federal grant.

**NOTE 4 – RECONCILIATION FUNDS STATEMENT – FEDERAL SOURCES**

General Fund	\$ 988,797
Food Service Fund	770,470
Deferred Revenue from Current Year	212,744
Deferred Revenue from Prior Year	<u>(4,666)</u>
Total Revenue per Schedule of Expenditures of Federal Awards	<u>\$1,967,345</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, 2018**

**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  No

\* Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

\* Material weakness(es) identified?  Yes  No

\* Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  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  No

Identification of major program:

CFDA Number	Federal Program
10.553 and 10.555	Child Nutrition Cluster





STAR INTERNATIONAL ACADEMY  
REPORT TO THE BOARD OF DIRECTORS

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JUNE 30, 2018

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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 of  
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, 2018. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
<b>Results of Audit</b>	<b>2-5</b>
<b>Recommendations</b>	<b>6</b>
<b>Informational Items</b>	<b>6-7</b>

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 21, 2018

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

To the Board of Directors  
Star International Academy  
October 21, 2018

## **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, 2018 and have issued our report thereon dated October 21, 2018. 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, 2018, 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 21, 2018 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 21, 2018

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 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 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, 2018.

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 21, 2018

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.

**It should be noted that all of the prior year findings were corrected in the current year.**

***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 as of the date of the audit report.

***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 consultations with other accountants.

To the Board of Directors  
Star International Academy  
October 21, 2018

### ***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 21, 2018

### Recommendations

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## STAR INTERNATIONAL ACADEMY RECOMMENDATIONS

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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

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## STAR INTERNATIONAL ACADEMY

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### **Cybersecurity and data backup best practices**

The Academy's data is critically important. There are thousands of ways data can be compromised. It is vitally important that all employees and staff have proper knowledge on what is safe to click on and what is not. It is equally important that a proper data backup solution is in place in the event a Academy's information is targeted by malware or a fraudulent email attack. A School's vital information is always a moment away from being compromised. Encouraging and educating all staff to pay attention to what they click on and what they do is the first step in keeping information safe.



To the Board of Directors of  
Star International Academy  
October 21, 2018

1. Does your School understand the difference between a backup and disaster recovery?

Management often assumes that simply backing up files is “good enough”. Backing up files is something all Schools should do. However, it’s important to remember that restoring files and emails is one thing, but recovering and restoring all School’s data in the event of a disaster is another.

2. How long can my School survive a network outage?

Many Schools assume that they are properly backing up their network but often those backups are not tested. Internally managed backups are more susceptible to lack of testing. Management often believes they have successful backups but in the moment of a disaster, they find out that their last successful backup was months ago. Test backups often to make sure files can be recovered when needed.