

STAR INTERNATIONAL ACADEMY

**Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2021**

STAR INTERNATIONAL ACADEMY

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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.

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, 2021, 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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Adoption of New Accounting Standard

As described in the notes to the financial statements, during the year ended June 30, 2021, the Academy adopted GASB Statement No. 84. *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 29, 2021, 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 29, 2021
Dearborn, Michigan

STAR INTERNATIONAL ACADEMY

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

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, 2021. 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, 2021.

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

| | Governmental Activities (in thousands) | |
|---|---|-------------------------|
| <u>Assets</u> | <u>2021</u> | <u>2020</u> |
| Current and Other Assets | \$ 13,386 | \$ 11,635 |
| Capital Assets – Net of Accumulated Depreciation | <u>17,962</u> | <u>17,242</u> |
| Total Assets | <u>31,348</u> | <u>28,877</u> |
| | | |
| <u>Deferred Outflow of Resources</u> | | |
| Deferred Cost of Refunding | <u>225</u> | <u>671</u> |
| Total assets and deferred outflow of resources | <u>\$ 31,573</u> | <u>\$ 29,548</u> |
| | | |
| <u>Liabilities</u> | | |
| Current Liabilities | \$ 1,951 | \$ 3,265 |
| Long-Term Liabilities | <u>11,481</u> | <u>12,785</u> |
| Total Liabilities | <u>\$ 13,432</u> | <u>\$ 16,050</u> |
| | | |
| <u>Net Position</u> | | |
| Invested in Capital Assets – Net of Related Debt | 6,481 | 4,457 |
| Restricted | 1,894 | 1,996 |
| Unrestricted | <u>9,766</u> | <u>7,045</u> |
| Total Net Position | <u>\$ 18,141</u> | <u>\$ 13,498</u> |

Net position at year-end was \$18,140,299. The Academy's net investment in Capital Assets, net of related debt, was \$6,840,661. The \$9,766,047 in unrestricted net position represents the cumulative operating results for the year ended June 30, 2021 and all prior years.

The Academy's net position increased by \$4,641,600 during the fiscal year ended June 30, 2021 (please refer to Table 2 below). The cost to operate the Academy's programs was \$18,194,548. Partially funding these programs were charges for services and grant revenues totaling \$6,563,602. The remaining cost of the Academy was funded by general revenues, primarily State Aid totaling \$16,211,991 and other local and miscellaneous revenue of \$59,959.

Table 2 – Summary of the Statement of Activities

| | Governmental Activities (in thousands) | |
|--|---|-------------------------|
| <u>Revenues:</u> | <u>2021</u> | <u>2020</u> |
| Program Revenues | | |
| Charges for Services | \$ - | \$ 26 |
| Federal Grants | 6,564 | 2,237 |
| General Revenues | | |
| State Foundation Allowance | 16,212 | 14,617 |
| Other & Incoming Transfers | 60 | 330 |
| Total Revenues | <u>\$ 22,836</u> | <u>\$ 17,210</u> |
| | | |
| <u>Function/Program Expenses:</u> | | |
| Instruction | \$ 8,497 | \$ 7,784 |
| Support Services | 538 | 635 |
| General, Executive and Building Administration | 3,195 | 2,482 |
| Food Services | 763 | 729 |
| Business Support Services | 390 | 341 |
| Operating, Maintenance & Other | 2,484 | 3,048 |
| Depreciation (Unallocated) | 1,709 | 1,020 |
| Interest & Other Cost on Long-Term Debt | 618 | 636 |
| Total Expenses | <u>18,194</u> | <u>16,555</u> |
| | | |
| Increase (Decrease) in Net Position | <u>\$ 4,642</u> | <u>\$ 655</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 \$8,111 per student for the school year 2020-2021.
- Student Enrollment: The Academy's student enrollment for the fall count of 2020-2021 was 1,753 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, 2021 Star International Academy had an investment in capital assets, net of accumulated depreciation, of \$17,962,015 (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 \$2,427,715 of capital assets during the year.

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 \$1,708,626.

Table 3 – Capital Assets

| <u>Description</u> | <u>June 30, 2021</u> (in thousands) | <u>June 30, 2020</u> (in thousands) |
|---------------------------------|---|---|
| Land | \$ 1,760 | \$ 1,760 |
| Building – Athletic Field | 3,534 | 3,534 |
| Building – Canton | 4,905 | 3,805 |
| Building /Building Improvements | 19,463 | 19,445 |
| Computers & Equipment | 4,397 | 3,596 |
| Furniture & Equipment | 1,170 | 837 |
| School Buses / Vehicles | <u>308</u> | <u>132</u> |
| Total Capital Assets | \$ 35,537 | \$ 33,109 |
| Less Accumulated Depreciation | <u>(17,575)</u> | <u>(15,867)</u> |
| Net Capital Assets | <u>\$ 17,962</u> | <u>\$ 17,242</u> |

Debt

On August 1, 2020 Star International Academy entered into an agreement with Michigan Finance Authority (MFA) to issue Public School Academy Refunding Bonds, Series 2020 in the amount \$10,225,000. to refinance the Academy's full term certificates of participation, issued in September 2012. The balance of full term certificates as of August 31, 2020 was fully paid from the proceeds of the bonds.

At June 30, 2021 Star International Academy's long-term debt from the bonds is \$10,225,000 . There are no bond principal payments due within the next year, thus the entire balance owed is non-current. Please refer to Table 4 for a detail of the debt related to bond issuance.

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, 2021, the balance of the note is \$1,256,233.

Table 4 – Outstanding Long-Term Liabilities

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

Bonds Payable

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------------------------|--------------------------------|-----------------------------|
| March 1, 2023 | 665,000 | 4.00% |
| March 1, 2024 | 690,000 | 4.00% |
| March 1, 2025 | 720,000 | 4.00% |
| March 1, 2026 | 745,000 | 4.00% |
| March 1, 2027 - March 1, 2031 | 4,260,000 | 4.00% |
| March 1, 2032 - March 1, 2033 | <u>3,145,000</u> | 4.00% |
| Total | <u>\$10,225,000</u> | |

Notes Payable

| <u>Payment Period</u> | <u>Principal Payments</u> | <u>Interest Rate</u> |
|------------------------------|----------------------------------|-----------------------------|
| June 30, 2022 | 84,000 | 3.00% |
| June 30, 2023 | <u>1,172,233</u> | 3.00% |
| Total | <u>\$ 1,256,233</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, 2021, the Academy's Governmental Funds had a combined fund balance of \$11,593,414, an increase of \$3,036,375 from June 30, 2020. 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 \$2,610,573 at June 30, 2021 to \$11,045,972 from \$8,435,399 at June 30, 2020. The increase is primarily attributable to an increase in funding for fiscal year 2021. 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, 2021, the Food Service Fund balance was \$547,442. Revenues of the food services program were \$425,802 over the expenses for the year 2020-2021.

The School District's non-major fund – Capital Expenditures Fund, is presented in this category. At June 30, 2021, the Capital Expenditures Fund balance was \$0. Incoming transfers to the Capital Expenditures Fund were \$3,770,825 matching the expenses for the year 2020-2021.

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 2021 (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 2020-2021, it received \$8,111 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 2021 amended (Final) budget reflected actual enrollment based on the October 2020 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> |
|-------------------------|----------------------------|----------------------|
| 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)

| <u>Revenues:</u> | <u>Final Budget</u> | <u>Actual</u> |
|-----------------------------|----------------------------|----------------------|
| 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 |
| 2018 - 2019 | 16,214,199 | 15,695,172 |
| 2019 - 2020 | 16,517,423 | 16,139,792 |
| 2020-2021 | 22,347,580 | 21,631,501 |
| | | |
| <u>Expenditures:</u> | | |
| 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 | 16,338,740 | 15,744,866 |
| 2019 - 2020 | 17,254,129 | 17,098,830 |
| 2020-2021 | 22,260,835 | 19,020,928 |

Economic Factors affecting Next Year's Budgets:

Our elected officials and administration consider many factors when setting the Academy's 2022 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 2021-2022 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 2022 budget was adopted in June 2021, based on an estimate of students that will be enrolled in September 2021. Approximately 87 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 2021-2022 school years, we anticipate that the fall student count will be close to the estimates used in creating the 2021 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, 2021

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 7,795,322 |
| Cash and cash equivalents-restricted | 1,346,149 |
| Receivables | |
| State aid and grants | 2,847,655 |
| Federal | 911,190 |
| Other | 31,889 |
| Prepaid cost and other current assets | 454,204 |
| Capital assets, net of accumulated depreciation | <u>17,962,015</u> |
| Total Assets | 31,348,424 |
| Deferred Outflow of Resources | |
| Deferred cost of refunding | <u>224,657</u> |
| Total Assets and Deferred Outflow of Resources | 31,573,081 |
| Liabilities | |
| Accounts payable | 245,765 |
| Accrued expenses & other current liabilities | 1,547,230 |
| Accrued interest | 158,433 |
| Long-term liabilities: | |
| Long-term liabilities, due within one year | 84,000 |
| Long-term liabilities, due after one year | <u>11,397,354</u> |
| Total Liabilities | 13,432,782 |
| Net Position | |
| Net investment in capital assets | 6,480,661 |
| Restricted | 1,893,591 |
| Unrestricted | <u>9,766,047</u> |
| Total Net Position | <u><u>\$ 18,140,299</u></u> |

STAR INTERNATIONAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| Functions/Programs | Expenses | Program Revenues | | Governmental Activities |
|--------------------------------------|----------------------|----------------------|------------------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Net (Expense) Revenues and Changes in Net Assets |
| Governmental Activities | | | | |
| Instruction | \$ 6,953,617 | \$ - | \$ 5,386,711 | \$ (1,566,906) |
| Supporting Services | | | | |
| Pupil support services | 537,567 | - | - | (537,567) |
| Instructional support services | 1,543,501 | - | - | (1,543,501) |
| General administration | 3,025,503 | - | - | (3,025,503) |
| School administration services | 169,571 | - | - | (169,571) |
| Business services | 389,997 | - | - | (389,997) |
| Operations and maintenance | 1,045,423 | - | - | (1,045,423) |
| Transportation | 10,796 | - | - | (10,796) |
| Other support services | 1,269,305 | - | - | (1,269,305) |
| Community activities | 152,345 | - | - | (152,345) |
| Food services | 763,158 | 596 | 1,176,891 | 414,329 |
| Facilities acquisition & improvement | 6,553 | - | - | (6,553) |
| Depreciation | 1,708,626 | - | - | (1,708,626) |
| Debt issuance & other costs | 17,284 | - | - | (17,284) |
| Interest on long-term debt | 601,302 | - | - | (601,302) |
| Total Governmental Activities | <u>\$ 18,194,548</u> | <u>\$ 596</u> | <u>\$ 6,563,602</u> | (11,630,350) |
| General Revenues | | | | |
| State aid - all sources | | | | 16,211,991 |
| Other sources | | | | <u>59,959</u> |
| Total General Revenues | | | | <u>16,271,950</u> |
| Change in Net Position | | | | 4,641,600 |
| Net Position -July 1, 2020 | | | | <u>13,498,699</u> |
| Net Position -June 30, 2021 | | | | <u>\$ 18,140,299</u> |

STAR INTERNATIONAL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

| | General Fund | Non-Major Governmental Funds | Total |
|--|-------------------------|---|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,795,322 | \$ - | \$ 7,795,322 |
| Cash and cash equivalents-restricted | 1,346,149 | - | 1,346,149 |
| Due from other governmental units | 3,755,091 | 3,754 | 3,758,845 |
| Due from other funds | 240,000 | 569,252 | 809,252 |
| Other receivables | 31,889 | - | 31,889 |
| Prepaid cost and other current assets | 214,204 | - | 214,204 |
| Total Assets | \$ 13,382,655 | \$ 573,006 | \$ 13,955,661 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 245,765 | \$ - | \$ 245,765 |
| Due to other funds | 596,368 | - | 596,368 |
| Accrued expenses | 1,494,550 | 25,564 | 1,520,114 |
| Total Liabilities | 2,336,683 | 25,564 | 2,362,247 |
| Fund Balances | | | |
| Non-Spendable Fund Balance: | | | |
| Prepaid cost | 49,204 | - | 49,204 |
| Restricted Fund Balance: | | | |
| Food service | - | 547,442 | 547,442 |
| Debt service | 1,346,149 | - | 1,346,149 |
| Assigned Fund Balance: | | | |
| Capital projects | 5,000,000 | - | 5,000,000 |
| Unrestricted Fund Balance: | | | |
| Unassigned fund balance | 4,650,619 | - | 4,650,619 |
| Total Fund Balance | 11,045,972 | 547,442 | 11,593,414 |
| Total Liabilities and Fund Balances | \$ 13,382,655 | \$ 573,006 | \$ 13,955,661 |

**STAR INTERNATIONAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$ 11,593,414 |
|---|----------------------|

Amounts reported for governmental activities in the statement of net position are different because:

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

| | | | |
|--|--------------------------|---------------------|------------|
| | Cost of capital assets | \$ 35,537,132 | |
| | Accumulated depreciation | <u>(17,575,117)</u> | 17,962,015 |

| | |
|---|-----------|
| Accrued interest payable is not included as a liability in governmental funds | (158,433) |
|---|-----------|

| | |
|--|--------------|
| Bonds payable and bond issue premiums are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Bonds payable | (10,225,000) |

| | |
|--|-------------|
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | (1,256,354) |
|--|-------------|

| | |
|---|----------------|
| Unamortized deferred refunding costs are not financial resources and are not reported in the funds. | <u>224,657</u> |
|---|----------------|

| | |
|---|------------------------------------|
| Total Net Position - Governmental Activities | <u><u>\$ 18,140,299</u></u> |
|---|------------------------------------|

STAR INTERNATIONAL ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|---|---|
| Revenues | | | |
| Local sources | \$ 59,959 | \$ 596 | \$ 60,555 |
| States sources | 16,184,831 | 27,160 | 16,211,991 |
| Federal sources | 5,386,711 | 1,176,891 | 6,563,602 |
| Total Governmental Fund Revenues | 21,631,501 | 1,204,647 | 22,836,148 |
| Expenditures | | | |
| Instruction | 7,091,869 | - | 7,091,869 |
| Supporting Services: | | | |
| Pupil support services | 537,567 | - | 537,567 |
| Instructional staff | 2,345,223 | - | 2,345,223 |
| General administration | 3,041,591 | - | 3,041,591 |
| School administration | 169,571 | - | 169,571 |
| Business support services | 389,997 | - | 389,997 |
| Operations and maintenance | 1,215,632 | - | 1,215,632 |
| Transportation | 186,975 | - | 186,975 |
| Central support services | 2,196,428 | - | 2,196,428 |
| Athletic activities | 28,312 | - | 28,312 |
| Food services | - | 778,845 | 778,845 |
| Community services | 152,345 | - | 152,345 |
| Facilities acquisition & improvement | 6,553 | 3,770,825 | 3,777,378 |
| Principal, interest & fees on long-term debt | 946,236 | - | 946,236 |
| Total Governmental Fund Expenditures | 18,308,299 | 4,549,670 | 22,857,969 |
| Excess (Deficiency) of Revenues over Expenditures | 3,323,202 | (3,345,023) | (21,821) |
| Other Financing Sources (Uses) | | | |
| Proceeds from refunding bonds | 11,210,879 | - | 11,210,879 |
| Payment to bond refunding agent | (11,332,200) | - | (11,332,200) |
| Bond issuance cost | (252,993) | - | (252,993) |
| Other financing sources | - | 3,432,510 | 3,432,510 |
| Operating transfers in | - | 338,315 | 338,315 |
| Operating transfers out | (338,315) | - | (338,315) |
| Total Other Financing Sources (Uses) | (712,629) | 3,770,825 | 3,058,196 |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses | 2,610,573 | 425,802 | 3,036,375 |
| Fund Balance, July 1, 2020 | 8,435,399 | 121,640 | 8,557,039 |
| Fund Balance, June 30, 2021 | \$ 11,045,972 | \$ 547,442 | \$ 11,593,414 |

STAR INTERNATIONAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2021

| | |
|---|---------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 3,036,375 |
|---|---------------------|

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 | \$ (1,708,626) | |
| Capitalized capital outlay | <u>2,427,715</u> | 719,089 |

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

| | |
|---------------|--------------|
| Bond issuance | (11,210,879) |
|---------------|--------------|

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

| | |
|----------------|------------|
| Bond refunding | 11,332,200 |
|----------------|------------|

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

| | |
|--|--------|
| | 28,567 |
|--|--------|

Repayment of note principal is an expenditure in governmental funds, but not in the statement of activities (where it reduces long-term debt)

| | |
|--|---------|
| | 308,767 |
|--|---------|

Amortization of deferred refunding costs

| | |
|--|---------|
| | (9,684) |
|--|---------|

Some expenses reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

| | |
|--|----------------|
| | <u>437,165</u> |
|--|----------------|

| | |
|--|----------------------------|
| Change in Net Position of Governmental Activities | <u>\$ 4,641,600</u> |
|--|----------------------------|

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 Bay Mills to organize and administer a public school academy is effective through July 1, 2026. 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 Bay Mills Board of Trustees 3 percent of State Aid as administrative fees. The total administrative fee paid through Star International Academy to the Bay Mills Board of Trustees was approximately \$468,960 for the year ended June 30, 2021.

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, 2021

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, 2021

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, debt service expenditures, as well as 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, 2021

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 non-major governmental Special Revenue Fund; the Food Services Fund and Fiduciary Fund:

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, 2021

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

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

Fund-Based Statements *(continued)*

Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Academy maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and student activities.

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, 2021 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 2021 and are considered current for the purposes of these financial statements.

Prepaid Expenditures and Other Current Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

Prepaid Expenditures and Other Current Assets *(continued)*

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 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 |

MPERS 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, 2021.

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.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Long-Term Obligations *(continued)*

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:

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.

The Academy uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a debt covenants or grant agreements requiring dollar for dollar spending. Additionally, when necessary, the Academy would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Equity (*continued*)

The Academy does not have a formal minimum fund balance policy. The Board of Directors shall ensure that adequate funds are reserved for the General Fund to maintain a secure financial position

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.

E. Implementation of New Accounting Standard

In 2020, the Academy implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the Academy present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the Academy to reclassify previously reported agency funds as custodial funds.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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:

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, 2021. 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, 2021. 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 32 of these financial statements. In all cases, adequate fund balance was available to cover these expenditures.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$9,141,472.

The deposits of the Academy were reflected in the accounts of the financial institution at \$9,503,719 of which \$1,779,770 is covered by federal depository insurance.

STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS

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

| | Balance | | Disposals | | Balance |
|--------------------------------------|---------------------|------------------|------------------|--------------------|----------------------|
| | July 1, 2020 | Additions | and | Adjustments | June 30, 2021 |
| Land | \$ 1,760,000 | \$ - | \$ - | \$ - | \$ 1,760,000 |
| Assets being depreciated: | | | | | |
| Building and improvements | 10,710,341 | 17,000 | - | - | 10,727,341 |
| 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 | 3,804,768 | 1,099,849 | - | - | 4,904,617 |
| Computer Equipment | 3,595,497 | 801,722 | - | - | 4,397,219 |
| Furniture & Other Equipment | 837,238 | 350,828 | (17,864) | - | 1,170,202 |
| School buses and vehicles | 131,830 | 176,179 | - | - | 308,009 |
| Subtotal | 33,109,418 | 2,445,578 | (17,864) | - | 35,537,132 |
| Accumulated depreciation: | | | | | |
| Building and improvements | 6,536,629 | 716,046 | - | - | 7,252,675 |
| George Street Building | 3,298,357 | 276,669 | - | - | 3,575,026 |
| Office Building | 494,060 | 46,842 | - | - | 540,902 |
| Building - Athletic field | 1,767,474 | 176,747 | - | - | 1,944,221 |
| Building - Canton | 223,394 | 15,138 | - | - | 238,532 |
| Computer Equipment | 2,977,775 | 410,822 | - | - | 3,388,597 |
| Furniture & Other Equipment | 533,603 | 55,325 | - | - | 588,928 |
| School buses and vehicles | 35,200 | 11,036 | - | - | 46,236 |
| Subtotal | 15,866,492 | 1,708,625 | - | - | 17,575,116 |
| Net capital assets being depreciated | 15,866,492 | 1,708,625 | - | - | 17,575,116 |
| Net capital assets | \$ 17,242,926 | \$ 736,953 | \$ - | \$ - | \$ 17,962,016 |

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, 2021

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 2020

BONDS DEBT SERVICE
JUNE 30, 2021

| | <u>PRINCIPAL</u> | <u>ANNUAL INTEREST</u> | <u>ANNUAL DEBT SERVICE</u> |
|------------------------------|-----------------------------|----------------------------|--------------------------------|
| ORIGINAL LOAN | \$ 10,225,000 | \$ 4,158,631 | \$ 14,383,631 |
| TOTAL PAYMENTS | - | (242,931) | (242,931) |
| BALANCE JUNE 30, 2021 | <u><u>\$ 10,225,000</u></u> | <u><u>\$ 3,915,700</u></u> | <u><u>\$ 14,140,700</u></u> |

Annual debt service requirements to maturity for the above mentioned governmental bond obligations are as follows:

FUTURE BOND DEBT SERVICE IS AS FOLLOWS:

| <u>PERIOD</u> | <u>PRINCIPAL AMOUNT \$</u> | <u>ANNUAL INTEREST AMOUNT \$</u> | <u>ANNUAL DEBT SERVICE \$</u> |
|---------------|--------------------------------|--------------------------------------|-----------------------------------|
| 2021-2022 | \$ - | \$ 475,300 | 475,300 |
| 2022-2023 | 665,000 | 475,300 | 1,140,300 |
| 2023-2024 | 690,000 | 448,700 | 1,138,700 |
| 2024-2025 | 720,000 | 421,100 | 1,141,100 |
| 2025-2026 | 745,000 | 392,300 | 1,137,300 |
| 2026-2031 | 4,260,000 | 1,437,500 | 5,697,500 |
| 2031-2033 | 3,145,000 | 265,500 | 3,410,500 |
| TOTAL | <u><u>\$ 10,225,000</u></u> | <u><u>\$ 3,915,700</u></u> | <u><u>\$ 14,140,700</u></u> |

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 - LONG -TERM DEBT *(continued)*

**NOTES PAYABLE
JUNE 30, 2021**

| | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL DEBT SERVICE</u> |
|------------------------------|----------------------------|--------------------------|-------------------------------|
| ORIGINAL LOAN | \$ 2,000,000 | \$ 290,406 | \$ 2,290,406 |
| TOTAL PAYMENTS | <u>(743,767)</u> | <u>(161,666)</u> | <u>(905,433)</u> |
| BALANCE JUNE 30, 2021 | <u><u>\$ 1,256,233</u></u> | <u><u>\$ 128,740</u></u> | <u><u>\$ 1,384,973</u></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, 2021. HES was paid \$1,638,631 for providing management services during the year.

NOTE 9- SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 29, 2021 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, 2021

| | Budgeted Amounts | | Actual | Variances |
|---|-------------------------|---------------------|----------------------|---------------------|
| | Original | Final | (GAAP Basis) | Over/(Under) |
| | | | | Final |
| | | | | to Actual |
| Revenues | | | | |
| Local sources | \$ 107,000 | \$ 62,000 | \$ 59,959 | \$ (2,041) |
| State sources | 15,821,029 | 16,499,797 | 16,184,831 | (314,966) |
| Federal sources | <u>1,935,942</u> | <u>5,785,783</u> | <u>5,386,711</u> | <u>(399,072)</u> |
| Total Governmental Fund Revenues | 17,863,971 | 22,347,580 | 21,631,501 | (716,079) |
| Expenditures | | | | |
| Instructional Services | 7,099,527 | 8,661,772 | 7,091,869 | (1,569,903) |
| Supporting Services: | | | | |
| Pupil support services | 746,029 | 659,033 | 537,567 | (121,466) |
| Instructional staff services | 1,723,037 | 2,666,726 | 2,345,223 | (321,503) |
| General administration | 2,747,581 | 3,209,093 | 3,041,591 | (167,502) |
| School administration | 262,928 | 213,794 | 169,571 | (44,223) |
| Business support services | 405,136 | 449,938 | 389,997 | (59,941) |
| Operation and maintenance | 1,444,021 | 1,430,611 | 1,215,632 | (214,979) |
| Transportation | 22,374 | 195,721 | 186,975 | (8,746) |
| Other support services | 1,374,244 | 2,364,931 | 2,196,428 | (168,503) |
| Athletic activities | 54,092 | 43,412 | 28,312 | (15,100) |
| Community services | 247,825 | 203,415 | 152,345 | (51,070) |
| Facilities acquisition & improvement | - | 10,000 | 6,553 | (3,447) |
| Principal, interest & fees on long-term debt | <u>1,523,750</u> | <u>944,860</u> | <u>946,236</u> | <u>1,376</u> |
| Total Governmental Fund Expenditures | 17,650,544 | 21,053,306 | 18,308,299 | (2,745,007) |
| | 213,427 | 1,294,274 | 3,323,202 | 2,028,928 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from refunding bonds | - | 11,210,879 | 11,210,879 | - |
| Payment to bond refunding agent | - | (11,612,700) | (11,332,200) | 280,500 |
| Bond issuance cost | - | (467,393) | (252,993) | 214,400 |
| Transfer out | <u>-</u> | <u>(338,315)</u> | <u>(338,315)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | - | (1,207,529) | (712,629) | 494,900 |
| Excess of Revenues and Other Financing Sources Over Expenditures | 213,427 | 86,745 | 2,610,573 | 2,523,828 |
| Fund Balance, July 1, 2020 | 9,728,451 | 8,435,399 | 8,435,399 | - |
| Fund Balance, June 30, 2021 | \$ 9,941,878 | \$ 8,522,144 | \$ 11,045,972 | \$ 2,523,828 |

See accompanying notes to the financial statements

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, 2021**

| | Food Services |
|---|--------------------------|
| Revenues | |
| Local sources | \$ 596 |
| State sources | 27,160 |
| Federal sources | 1,176,891 |
| Total Revenues | 1,204,647 |
| Expenditures | |
| Food services | 778,845 |
| Total Expenditures | 778,845 |
| Excess of Revenues Over Expenditures | 425,802 |
| Fund Balance, July 1, 2020 | 121,640 |
| Fund Balance, June 30, 2021 | \$ 547,442 |

See accompanying notes to the financial statements

STAR INTERNATIONAL ACADEMY
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2021

| | <u>Custodial Funds</u> |
|---|-----------------------------------|
| ASSETS | |
| Due from General Fund | <u>\$ 27,116</u> |
| TOTAL ASSETS | <u><u>\$ 27,116</u></u> |
| NET POSITION | |
| Restricted for: | |
| Individuals, organizations and other custodial activities | <u>\$ 27,116</u> |
| TOTAL NET POSITION | <u><u>\$ 27,116</u></u> |

See accompanying notes to the financial statements

STAR INTERNATIONAL ACADEMY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Custodial Funds</u> |
|--|----------------------------|
| Additions | |
| Fundraisers | <u>\$ 3,713</u> |
| Total additions | 3,713 |
| Deductions | |
| Supplies and materials | <u>8,077</u> |
| Total deductions | 8,077 |
| Net increase (decrease) in fiduciary net position | (4,364) |
| Net Position, July 1, 2020 | <u>31,480</u> |
| Net Position, June 30, 2021 | <u><u>\$ 27,116</u></u> |

See accompanying notes to the financial statements

STAR INTERNATIONAL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2021

SECTION A

STAR INTERNATIONAL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

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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.

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, 2021, 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 29, 2021

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 29, 2021

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.

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, 2021. 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, 2021.

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, 2021 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 29, 2021 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 29, 2021

STAR INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2021

| PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME | CFDA NUMBER | APPROVED AWARD AMOUNT | (MEMO ONLY) PRIOR YEAR EXPENDITURES | ACCRUED (DEFERRED) REVENUE JULY 1, 2020 | FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED | EXPENDITURES | ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2021 |
|--|----------------|-----------------------------|---|--|---|------------------|--|
| Cluster: | | | | | | | |
| Child Nutrition Cluster: | | | | | | | |
| U.S. Department of Agriculture - Passed through the | | | | | | | |
| Michigan Department of Education: | | | | | | | |
| Non-Cash Assistance (Commodities) 2020-2021 | | | | | | | |
| National School Lunch Program - Regular | 10.555 | \$ 63,372 | \$ - | \$ - | \$ 61,546 | \$ 61,546 | \$ - |
| Cash Assistance | | | | | | | |
| Unanticipated School Closure - 2019-2020 (Grants No. 200902) | 10.555 | 198,608 | 198,608 | 86,302 | 86,362 | - | - |
| Summer Food Service Program - 2019-2020 (Grant No. 200900) | 10.559 | 68,718 | - | - | 68,718 | 68,718 | - |
| Summer Food Service Program - 2020-2021 (Grant No. 210904) | 10.559 | 1,046,627 | - | - | 1,046,627 | 1,046,627 | - |
| Total Cash Assistance | | <u>1,313,952</u> | <u>198,608</u> | <u>86,302</u> | <u>1,201,706</u> | <u>1,115,344</u> | <u>-</u> |
| Total Child Nutrition Cluster | | 1,377,324 | 198,608 | 86,302 | 1,263,252 | 1,176,890 | - |
| Special Education Cluster - U.S. Department of Education - | | | | | | | |
| Passed through the Wayne County RESA - IDEA | | | | | | | |
| IDEA - Regular Flow through 2019-2020 (Grant No. 200450) | 84.027 | 178,676 | 178,676 | 39,448 | 39,448 | - | - |
| IDEA - Regular Flow through 2020-2021 (Grant No. 210450) | 84.027 | 204,058 | - | - | 155,912 | 204,058 | 48,146 |
| Total Special Education Cluster | | <u>382,734</u> | <u>178,676</u> | <u>39,448</u> | <u>195,360</u> | <u>204,058</u> | <u>48,146</u> |
| Other Federal Awards: | | | | | | | |
| U.S. Department of Education - Passed through | | | | | | | |
| the Michigan Department of Education - | | | | | | | |
| Title I, Part A: | | | | | | | |
| Improving Basic Program - 2019-2020 Regular (Grant No. 201530) | 84.010 | 964,678 | 771,903 | 58,945 | 137,364 | 78,419 | - |
| Improving Basic Program - 2020-2021 Regular (Grant No. 211530) | 84.010 | 1,006,045 | - | - | 626,407 | 790,324 | 163,917 |
| Total Title I | | <u>1,970,723</u> | <u>771,903</u> | <u>58,945</u> | <u>763,771</u> | <u>868,743</u> | <u>163,917</u> |

STAR INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2021

| PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME | CFDA NUMBER | APPROVED AWARD AMOUNT | (MEMO ONLY) PRIOR YEAR EXPENDITURES | ACCRUED (DEFERRED) REVENUE JULY 1, 2020 | FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED | EXPENDITURES | ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2021 |
|--|----------------|-----------------------------|---|--|---|--------------|--|
| Other Federal Awards (con't): | | | | | | | |
| U.S. Department of Education: | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | |
| MI Charter School Program Grant: | | | | | | | |
| Student Support & Academic Enrich. - 2019-2020 (Grant No. 190610) | 84.282 | 1,000,000 | 127,327 | - | 380,142 | 842,257 | 462,115 |
| Total MI Charter School Program Grant | | 1,000,000 | 127,327 | - | 380,142 | 842,257 | 462,115 |
| U.S. Department of Education: | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | |
| Title II, Part A: | | | | | | | |
| Teacher/Principal Training - 2019-2020 (Grant No. 200520) | 84.367 | 206,951 | 97,546 | 21,035 | 41,835 | 20,800 | - |
| Teacher/Principal Training - 2020-2021 (Grant No. 210520) | 84.367 | 209,808 | - | - | 173,381 | 178,922 | 5,541 |
| Total Title II | | 416,759 | 97,546 | 21,035 | 215,216 | 199,722 | 5,541 |
| U.S. Department of Education: | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | |
| Title III, Part A: | | | | | | | |
| English Language Acquisition- 2019-20 (Grant No. 200580) | 84.365A | 370,370 | 105,050 | 14,832 | 19,673 | 4,841 | - |
| English Language Acquisition- 2020-21 (Grant No. 210580) | 84.365A | 385,356 | - | - | 224,318 | 257,129 | 32,811 |
| Total Title III | | 755,726 | 105,050 | 14,832 | 243,991 | 261,970 | 32,811 |
| U.S. Department of Education: | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | |
| Title IV, Part A: | | | | | | | |
| Student Support & Academic Enrichment - 2019-2020 (Grant No. 200750) | 84.424 | 73,530 | 61,350 | 5,014 | 7,536 | 2,522 | - |
| Student Support & Academic Enrichment - 2020-2021 (Grant No. 210750) | 84.424 | 73,612 | - | - | 48,539 | 55,280 | 6,741 |
| Total Title IV | | 147,142 | 61,350 | 5,014 | 56,075 | 57,802 | 6,741 |

STAR INTERNATIONAL ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2021

| PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME | CFDA NUMBER | APPROVED AWARD AMOUNT | (MEMO ONLY) PRIOR YEAR EXPENDITURES | ACCRUED (DEFERRED) REVENUE JULY 1, 2020 | FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED | EXPENDITURES | ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2021 |
|---|----------------|-----------------------------|---|--|---|---------------------|--|
| U.S. Department of Education: | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | |
| Education Stabilization Program: | | | | | | | |
| ESSER Formula Funds - 2019-2020 (Grant No. 203710) | 84.425C | 717,890 | - | - | 717,890 | 717,890 | - |
| ESSER Education Equity Funds - 2019-2020 (Grant No. 203720) | 84.425C | 107,683 | - | - | 81,619 | 90,577 | 8,958 |
| Governor's Emergency Education Relief (GEER) Funds - 2020-2021 (Grant No. 201200) | 84.425C | 211,520 | - | - | 131,951 | 211,520 | 79,569 |
| ESSER Formula Funds II - 2020-2021 (Grant No. 213712) | 84.425C | 1,343,397 | - | - | 1,343,397 | 1,343,397 | - |
| Total Education Stabilization Program | | 2,380,490 | - | - | 2,274,857 | 2,363,384 | 88,527 |
| U.S. Department of Treasury: | | | | | | | |
| Passed through the Michigan Department of Education: | | | | | | | |
| Coronavirus Relief Fund: | | | | | | | |
| Coronavirus Relief Funds - 2020-2021 | 21.019 | 568,757 | - | - | 568,757 | 568,757 | - |
| District COVID Costs Funds - 2020-2021 | 21.019 | 20,020 | - | - | 20,020 | 20,020 | - |
| Total Coronavirus Relief Funds | | 588,777 | - | - | 588,777 | 588,777 | - |
| Total noncluster programs passed through the Michigan Department of Education | | 7,259,617 | 1,163,176 | 99,826 | 4,522,829 | 5,182,655 | 759,652 |
| TOTAL FEDERAL AWARDS | | \$ 9,019,675 | \$ 1,540,460 | \$ 225,576 | \$ 5,981,441 | \$ 6,563,603 | \$ 807,798 |

STAR INTERNATIONAL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021. 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 | \$ 5,386,713 |
| Food Service Fund | <u>1,176,890</u> |
| Total Revenue per Schedule of | |
| Expenditures of Federal Awards | <u>\$ 6,563,603</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. The amounts reported on the CMS Grant Auditor Report agree with the schedule of expenditures of federal awards except for the following timing differences which are included in the Due From Other Governmental Units. Unreconciled differences, if any, have been disclosed to the auditor.

| <u>Program Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>As Reported</u> <u>on 2020-21</u> | <u>As Reported</u> <u>on 2020-21</u> | <u>Variance</u> |
|---|------------------------|-------------------------|---|---|-----------------|
| | | | <u>Grant Auditor Report</u> | <u>SEFA</u> | |
| SFSP COVID19 Unanticipated School Closure | 10.555 | 200902 | \$ 86,362 | \$ 86,362 | - |
| SFSP Operating | 10.559 | 200900 | 68,718 | 68,718 | - |
| SFSP Operating | 10.559 | 210904 | 1,046,627 | 1,046,627 | - |
| Title I Part A | 84.010 | 201530 | 137,364 | 137,364 | - |
| Title I Part A | 84.010 | 211530 | 728,474 | 626,407 | 102,067 |
| MI Charter School Program Grant | 84.282 | 190610 | 627,142 | 380,142 | 247,000 |
| Title II Part A | 84.367 | 200520 | 41,835 | 41,835 | - |
| Title II Part A | 84.367 | 210520 | 175,740 | 173,381 | 2,359 |
| Title III Part A | 84.365 | 200580 | 19,673 | 19,673 | - |
| Title III Part A | 84.365 | 210580 | 224,318 | 224,318 | - |
| Title IV Part A | 84.424 | 200750 | 7,536 | 7,536 | - |
| Title IV Part A | 84.424 | 210750 | 49,884 | 48,539 | 1,345 |
| Governor's Emergency Education Relief | 84.425C | 201200 | 131,951 | 131,951 | - |
| ESSER Formula Funds | 84.425C | 203710 | 717,890 | 717,890 | - |
| ESSER Education Equity Funds | 84.425C | 203720 | 81,619 | 81,619 | - |
| ESSER Formula Funds II | 84.425C | 213712 | 1,343,397 | 1,343,397 | - |
| TOTAL | | | <u>\$ 5,488,530</u> | <u>\$ 5,135,759</u> | |

NOTE 6 - SUB-RECIPIENTS

No amounts were provided to sub-recipients.

**STAR INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 |
|--|---|
| 84.424, 84.425C, 84.282, 10.555 & 10.559 | ESSER I, II, EQUITY, GEER, NSLP & CHARTER SCHOOL GRANT |

**STAR INTERNATIONAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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