

STAR INTERNATIONAL ACADEMY

**Financial Report
with Supplemental Information
and Single Audit Report
June 30, 2022**

STAR INTERNATIONAL ACADEMY

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Independent Auditor's Report

To the Board of Directors of
Star International Academy

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of Star International Academy (the 'Academy'), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates 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 other supplementary information as identified in the table of contents, is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, 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

Dearborn, Michigan
October 24, 2022

STAR INTERNATIONAL ACADEMY

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2022

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, 2022. 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, 2022.

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

	Governmental Activities (in thousands)	
	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current and Other Assets	\$ 17,928	\$ 13,386
Capital Assets – Net of Accumulated Depreciation	<u>20,227</u>	<u>17,962</u>
Total Assets	<u>38,155</u>	<u>31,348</u>
<u>Deferred Outflow of Resources</u>		
Deferred Cost of Refunding	<u>213</u>	<u>225</u>
Total assets and deferred outflow of resources	<u>\$ 38,368</u>	<u>\$ 31,573</u>
<u>Liabilities</u>		
Current Liabilities	\$ 2,854	\$ 1,951
Long-Term Liabilities	<u>14,570</u>	<u>11,481</u>
Total Liabilities	<u>\$ 17,424</u>	<u>\$ 13,432</u>
<u>Net Position</u>		
Invested in Capital Assets – Net of Related Debt	5,657	6,481
Restricted	3,798	1,894
Unrestricted	<u>11,489</u>	<u>9,766</u>
Total Net Position	<u>\$ 20,944</u>	<u>\$ 18,141</u>

Net position at year-end was \$20,943,545. The Academy's net investment in Capital Assets, net of related debt, was \$5,656,707. The \$11,489,265 in unrestricted net position represents the cumulative operating results for the year ended June 30, 2022 and all prior years.

The Academy's net position increased by \$2,803,246 during the fiscal year ended June 30, 2022 (please refer to Table 2 below). The cost to operate the Academy's programs was \$21,704,570. Partially funding these programs were charges for services and grant revenues totaling \$7,142,195. The remaining cost of the Academy was funded by general revenues, primarily State Aid totaling \$17,316,378 and other local and miscellaneous revenue of \$49,243.

Table 2 – Summary of the Statement of Activities

	Governmental Activities (in thousands)	
<u>Revenues:</u>	<u>2022</u>	<u>2021</u>
Program Revenues		
Charges for Services	\$ 7	\$ -
Federal Grants	7,136	6,564
General Revenues		
State Foundation Allowance	17,316	16,212
Other & Incoming Transfers	49	60
Total Revenues	<u>\$ 24,508</u>	<u>\$ 22,836</u>
<u>Function/Program Expenses:</u>		
Instruction	\$ 9,722	\$ 8,497
Support Services	669	538
General, Executive and Building Administration	5,864	3,195
Food Services	1,116	763
Business Support Services	338	390
Operating, Maintenance & Other	1,516	2,484
Depreciation (Unallocated)	1,804	1,709
Interest & Other Cost on Long-Term Debt	676	618
Total Expenses	<u>21,705</u>	<u>18,194</u>
Increase (Decrease) in Net Position	<u>\$ 2,803</u>	<u>\$ 4,642</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 \$8,700 per student for the school year 2021-2022.
- Student Enrollment: The Academy's student enrollment for the fall count of 2021-2022 was 1,720 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, 2022 Star International Academy had an investment in capital assets, net of accumulated depreciation, of \$20,227,210 (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 \$4,069,567 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 \$1,804,373.

Table 3 – Capital Assets

<u>Description</u>	<u>June 30, 2022</u> (in thousands)	<u>June 30, 2021</u> (in thousands)
Land	\$ 3,639	\$ 1,760
Building – Athletic Field	3,535	3,534
Building – Canton	6,766	4,905
Building /Building Improvements	19,473	19,463
Computers & Equipment	4,526	4,397
Furniture & Equipment	1,348	1,170
School Buses / Vehicles	<u>319</u>	<u>308</u>
Total Capital Assets	\$ 39,606	\$ 35,537
Less Accumulated Depreciation	<u>(19,379)</u>	<u>(17,575)</u>
Net Capital Assets	<u>\$ 20,227</u>	<u>\$ 17,962</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, 2022 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, 2022, the balance of the note is \$1,001,656.

On February 21, 2019, Star International Academy signed a 12 year note in the amount of \$3,500,000 for the renovation and building of facility acquired in 2018. At June 30, 2022, the balance of the note is \$3,343,847.

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	775,000	4.00%
March 1, 2028 - March 1, 2031	3,485,000	4.00%
March 1, 2032 - March 1, 2033	<u>3,145,000</u>	4.00%
Total	<u>\$10,225,000</u>	

Notes Payable

Original loan amount: **\$2,000,000**

<u>Payment Period</u>	<u>Principal Payments</u>	<u>Interest Rate</u>
June 30, 2023	84,000	3.00%
June 30, 2024	<u>917,656</u>	3.00%
Total	<u>\$ 1,001,656</u>	

Original loan amount: **\$3,500,000**

<u>Payment Period</u>	<u>Principal Payments</u>	<u>Interest Rate</u>
June 30, 2023	150,000	4.40%
June 30, 2024	144,000	4.40%
June 30, 2025	138,000	4.40%
June 30, 2026	132,000	4.40%
June 30, 2027	126,000	4.40%
June 30, 2028 & thereafter	<u>2,653,847</u>	4.40%
Total	<u>\$ 3,343,847</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, 2022, the Academy's Governmental Funds had a combined fund balance of \$14,679,779, an increase of \$3,086,365 from June 30, 2021. 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 \$3,309,517 at June 30, 2022 to \$14,355,489 from \$11,045,972 at June 30, 2021. The increase is primarily attributable to an increase in funding for fiscal year 2022. 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, 2022, the Food Service Fund balance was \$324,290. Revenues of the food services program were \$(223,152) less than the expenses for the year 2021-2022. The fund balance of the Food Service is restricted and available only to fund costs related to academy's food service programs.

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 2022 (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 2021-2022, it received \$8,700 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 2022 amended (Final) budget reflected actual enrollment based on the October 2021 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>
2011 - 2012	13,616,222	13,332,675
2012 - 2013	13,825,647	12,878,974
2013 - 2014	14,087,454	14,912,390
2014 - 2015	15,653,959	15,389,047
2015 - 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
2021 - 2022	23,616,597	22,884,024

<u>Expenditures:</u>		
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
2021 - 2022	22,818,719	19,574,507

Economic Factors affecting Next Year's Budgets:

Our elected officials and administration consider many factors when setting the Academy's 2023 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 2022-2023 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 2023 budget was adopted in June 2022, based on an estimate of students that will be enrolled in September 2022. 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 2022-2023 school years, we anticipate that the fall student count will be close to the estimates used in creating the 2023 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, 2022

	Governmental Activities
Assets	
Cash and cash equivalents-unrestricted	\$ 8,935,146
Cash and cash equivalents-restricted	3,473,283
Receivables	
State aid and grants	3,011,729
Federal	1,755,012
Other	14,737
Prepaid cost and other current assets	737,873
Capital assets, net of accumulated depreciation	20,227,210
Total Assets	38,154,990
 Deferred Outflow of Resources	
Deferred cost of refunding	213,037
Total Assets and Deferred Outflow of Resources	38,368,027
 Liabilities	
Accounts payable	1,083,929
Accrued expenses & other current liabilities	1,611,617
Accrued interest	158,433
Total Current Liabilities	2,853,979
 Long-term liabilities:	
Long-term liabilities, due within one year	896,300
Long-term liabilities, due after one year	13,674,203
Total Long-Term Liabilities	14,570,503
Total Liabilities	17,424,482
 Net Position	
Net investment in capital assets	5,656,707
Restricted	3,797,573
Unrestricted	11,489,265
Total Net Position	\$ 20,943,545

**STAR INTERNATIONAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Governmental Activities				
Instruction	\$ 7,768,400	\$ -	\$ 6,080,718	\$ (1,687,682)
Supporting Services				
Pupil support services	668,744	-	-	(668,744)
Instructional support services	1,952,052	-	-	(1,952,052)
General administration	3,147,236	-	-	(3,147,236)
School administration services	236,681	-	-	(236,681)
Business services	338,378	-	-	(338,378)
Operations and maintenance	1,452,324	-	-	(1,452,324)
Transportation	61,610	-	-	(61,610)
Other support services	2,340,266	-	-	(2,340,266)
Community activities	141,911	-	-	(141,911)
Food services	1,116,436	6,737	1,054,740	(54,959)
Depreciation	1,804,373	-	-	(1,804,373)
Debt issuance & other costs	13,770	-	-	(13,770)
Interest on long-term debt	662,389	-	-	(662,389)
Total Governmental Activities	<u>\$ 21,704,570</u>	<u>\$ 6,737</u>	<u>\$ 7,135,458</u>	(14,562,375)
General Revenues				
State aid - all sources				17,316,378
Other sources				49,243
Total General Revenues				<u>17,365,621</u>
Change in Net Position				2,803,246
Net Position -July 1, 2021				<u>18,140,299</u>
Net Position -June 30, 2022				<u>\$ 20,943,545</u>

**STAR INTERNATIONAL ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund	Non-Major Governmental Funds	Total
ASSETS			
Cash and cash equivalents-unrestricted	\$ 8,935,146	\$ -	\$ 8,935,146
Cash and cash equivalents-restricted	3,473,283	-	3,473,283
Due from other governmental units	4,701,766	64,975	4,766,741
Due from other funds	-	292,876	292,876
Other receivables	14,737	-	14,737
Prepaid cost and other current assets	737,873	-	737,873
Total Assets	\$ 17,862,805	\$ 357,851	\$ 18,220,656
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,083,929	\$ -	\$ 1,083,929
Due to other funds	331,902	-	331,902
Accrued expenses	1,539,030	33,561	1,572,591
Deferred Revenue	552,455	-	552,455
Total Liabilities	3,507,316	33,561	3,540,877
Fund Balances			
Non-Spendable Fund Balance:			
Prepaid cost	572,873	-	572,873
Restricted Fund Balance:			
Food service	-	324,290	324,290
Debt service	3,473,283	-	3,473,283
Assigned Fund Balance:			
Capital projects	5,000,000	-	5,000,000
Unrestricted Fund Balance:			
Unassigned fund balance	5,309,333	-	5,309,333
Total Fund Balance	14,355,489	324,290	14,679,779
Total Liabilities and Fund Balances	\$ 17,862,805	\$ 357,851	\$ 18,220,656

**STAR INTERNATIONAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balances - Governmental Funds \$ 14,679,779

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

	\$ 39,606,700	
Cost of capital assets		
Accumulated depreciation	<u>(19,379,490)</u>	20,227,210

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. 552,455

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)

Notes payable are not due and payable in the current period and, therefore, are not reported in the funds: (4,345,503)

Unamortized deferred refunding costs are not financial resources and are not reported in the funds. 213,037

Total Net Position - Governmental Activities **\$ 20,943,545**

STAR INTERNATIONAL ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 49,243	\$ 6,737	\$ 55,980
States sources	17,306,518	9,860	17,316,378
Federal sources	5,528,263	1,054,740	6,583,003
Total Governmental Fund Revenues	<u>22,884,024</u>	<u>1,071,337</u>	<u>23,955,361</u>
Expenditures			
Instruction	7,768,400	-	7,768,400
Supporting Services:			
Pupil support services	798,056	-	798,056
Instructional staff	1,952,052	-	1,952,052
General administration	3,147,236	-	3,147,236
School administration	236,681	-	236,681
Business support services	338,378	-	338,378
Operations and maintenance	1,452,324	-	1,452,324
Transportation	72,513	-	72,513
Central support services	2,231,253	-	2,231,253
Athletic activities	160,988	-	160,988
Food services	-	1,294,489	1,294,489
Community services	141,911	-	141,911
Facilities acquisition & improvement	251,300	-	251,300
Principal, interest & fees on long-term debt	1,023,415	-	1,023,415
Total Governmental Fund Expenditures	<u>19,574,507</u>	<u>1,294,489</u>	<u>20,868,996</u>
Excess (Deficiency) of Revenues over Expenditures	3,309,517	(223,152)	3,086,365
Fund Balance, July 1, 2021	<u>11,045,972</u>	<u>547,442</u>	<u>11,593,414</u>
Fund Balance, June 30, 2022	<u><u>\$ 14,355,489</u></u>	<u><u>\$ 324,290</u></u>	<u><u>\$ 14,679,779</u></u>

**STAR INTERNATIONAL ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2022**

Total Net Change in Fund Balances - Governmental Funds \$ 3,086,365

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	\$ (1,804,373)	
Capitalized capital outlay	<u>569,568</u>	(1,234,805)

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:

Current year deferred revenue	552,455
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Repayment of note principal is an expenditure in governmental funds, but not in the statement of activities (where it reduces long-term debt)	358,876
---	---------

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>40,355</u>
--	---------------

Change in Net Position of Governmental Activities **\$ 2,803,246**

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 \$497,814 for the year ended June 30, 2022.

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.

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

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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.

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.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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

Government-Wide Statements *(continued)*

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.

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.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

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

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.

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.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

Deposits, Cash Equivalents and Investments *(continued)*

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, 2022 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 2022 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, 2022, are recorded as prepaid items using the consumption method. A

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.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

Capital Assets*(continued)*

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, 2022.

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:

Fund Equity

- **Non-spendable-** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Equity (continued)

- **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.

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.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022. 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, 2022. 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, 2022**

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 \$12,408,429.

The deposits of the Academy were reflected in the accounts of the financial institution at \$12,606,321 of which \$943,536 is covered by federal depository insurance.

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 - CAPITAL ASSETS

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

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Adjustments</u>	<u>June 30, 2022</u>
Land	\$ 1,760,000	\$ 1,878,500	\$ -	\$ 3,638,500
Assets being depreciated:				
Building and improvements	10,727,341	11,300	-	10,738,641
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	4,904,617	1,861,500	-	6,766,117
Computer Equipment	4,397,219	129,311	-	4,526,530
Furniture & Other Equipment	1,170,202	178,053	-	1,348,255
School buses and vehicles	308,009	10,904	-	318,913
Subtotal	35,537,132	2,191,068	-	39,606,700
Accumulated depreciation:				
Building and improvements	7,252,675	715,941	-	7,968,616
George Street Building	3,575,026	276,669	-	3,851,695
Office Building	540,902	46,842	-	587,744
Building - Athletic field	1,944,220	176,747	-	2,120,967
Building - Canton	238,532	117,109	-	355,641
Computer Equipment	3,388,597	319,811	-	3,708,408
Furniture & Other Equipment	588,928	135,160	-	724,088
School buses and vehicles	46,236	16,094	-	62,330
Subtotal	17,575,116	1,804,373	-	19,379,490
Net capital assets being depreciated	<u>16,202,016</u>	<u>386,695</u>	<u>-</u>	<u>16,588,710</u>
Net capital assets	<u>\$ 17,962,016</u>	<u>\$ 2,265,195</u>	<u>\$ -</u>	<u>\$ 20,227,210</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, 2022**

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, 2022**

	PRINCIPAL	ANNUAL INTEREST	ANNUAL DEBT SERVICE
ORIGINAL LOAN	\$ 10,225,000	\$ 4,158,631	\$ 14,383,631
TOTAL PAYMENTS	-	(718,231)	(718,231)
BALANCE JUNE 30, 2022	\$ 10,225,000	\$ 3,440,400	\$ 13,665,400

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

FUTURE BOND DEBT SERVICE IS AS FOLLOWS:

PERIOD	PRINCIPAL AMOUNT \$	ANNUAL INTEREST AMOUNT \$	ANNUAL DEBT SERVICE \$
2022-2023	\$ 665,000	\$ 475,300	1,140,300
2023-2024	690,000	448,700	1,140,300
2024-2025	720,000	421,100	1,138,700
2025-2026	745,000	392,300	1,141,100
2026-2027	775,000	362,500	1,137,300
2026-2031	3,485,000	1,075,000	4,560,000
2031-2033	3,145,000	265,500	3,410,500
TOTAL	\$ 10,225,000	\$ 3,440,400	\$ 13,665,400

**STAR INTERNATIONAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

**NOTES PAYABLE
JUNE 30, 2022**

	PRINCIPAL	INTEREST	INTEREST
ORIGINAL LOAN	\$ 2,000,000	\$ 290,406	\$ 2,290,406
TOTAL PAYMENTS	(998,344)	(54,918)	(1,053,262)
BALANCE JUNE 30, 2022	\$ 1,001,656	\$ 235,488	\$ 1,237,144

	PRINCIPAL	INTEREST	TOTAL PRINCIPAL & INTEREST
ORIGINAL LOAN	\$ 3,500,000	\$ 2,109,376	\$ 5,609,376
TOTAL PAYMENTS	(156,153)	(248,094)	(404,247)
BALANCE JUNE 30, 2022	\$ 3,343,847	\$ 1,861,282	\$ 5,205,129

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, 2022. HES was paid \$2,324,305 for providing management services during the year.

NOTE 9- SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2022 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, 2022**

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances
	<u>Original</u>	<u>Final</u>		Over/(Under) Final to Actual
Revenues				
Local sources	\$ 107,000	\$ 35,009	\$ 49,243	\$ 14,234
State sources	17,013,458	17,394,066	17,306,518	(87,548)
Federal sources	<u>2,626,516</u>	<u>6,187,522</u>	<u>5,528,263</u>	<u>(659,259)</u>
Total Governmental Fund Revenues	19,746,974	23,616,597	22,884,024	(732,573)
Expenditures				
Instructional Services	8,375,662	9,003,642	7,768,400	(1,235,242)
Supporting Services:				
Pupil support services	744,078	974,799	798,056	(176,743)
Instructional staff services	2,058,159	2,239,526	1,952,052	(287,474)
General administration	3,050,171	3,434,479	3,147,236	(287,243)
School administration	322,443	335,667	236,681	(98,986)
Business support services	472,627	417,166	338,378	(78,788)
Operation and maintenance	1,484,552	1,662,698	1,452,324	(210,374)
Transportation	125,889	88,269	72,513	(15,756)
Other support services	1,417,700	2,335,618	2,231,253	(104,365)
Athletic activities	135,564	169,744	160,988	(8,756)
Community services	253,926	241,311	141,911	(99,400)
Facilities acquisition & improvement	-	260,000	251,300	(8,700)
Principal, interest & fees on long-term debt	<u>986,600</u>	<u>1,655,800</u>	<u>1,023,415</u>	<u>(632,385)</u>
Total Governmental Fund Expenditures	19,427,371	22,818,719	19,574,507	(3,244,212)
	319,603	797,878	3,309,517	2,511,639
Fund Balance, July 1, 2021	8,940,504	11,045,972	11,045,972	-
Fund Balance, June 30, 2022	\$ 9,260,107	\$ 11,843,850	\$ 14,355,489	\$ 2,511,639

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, 2022**

	Food Services
Revenues	
Local sources	\$ 6,737
State sources	9,860
Federal sources	1,054,740
Total Revenues	1,071,337
Expenditures	
Food services	1,294,489
Total Expenditures	1,294,489
Excess of Revenues Over Expenditures	(223,152)
Fund Balance, July 1, 2021	547,442
Fund Balance, June 30, 2022	\$ 324,290

See accompanying notes to the financial statements

STAR INTERNATIONAL ACADEMY
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2022

	<u>Custodial Funds</u>
ASSETS	
Due from General Fund	<u>\$ 39,026</u>
TOTAL ASSETS	<u><u>\$ 39,026</u></u>
NET POSITION	
Restricted for:	
Individuals, organizations and other custodial activities	<u>\$ 39,026</u>
TOTAL NET POSITION	<u><u>\$ 39,026</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, 2022

	<u>Custodial Funds</u>
Additions	
Fundraisers	\$ 58,663
Total additions	<u>58,663</u>
 Deductions	
Supplies and materials	46,753
Total deductions	<u>46,753</u>
Net increase (decrease) in fiduciary net position	11,910
Net Position, July 1, 2021	<u>27,116</u>
Net Position, June 30, 2022	<u><u>\$ 39,026</u></u>

See accompanying notes to the financial statements

STAR INTERNATIONAL ACADEMY

SUPPLEMENTAL INFORMATION

SINGLE AUDIT REPORT

JUNE 30, 2022

SECTION A

SINGLE AUDIT REPORT

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Wilkerson & Associate P.C.

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

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

To the Board of Directors 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, 2022, 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 24, 2022

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 24, 2022

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; 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, 2022. 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, 2022.

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, 2022, 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 24, 2022, 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 24, 2022

STAR INTERNATIONAL ACADEMY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2021	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2022
Cluster:							
Child Nutrition Cluster:							
U.S. Department of Agriculture - Passed through the Michigan Department of Education:							
Non-Cash Assistance (Commodities) 2021-2022							
National School Lunch Program - Regular	10.555	\$ 68,082	\$ -	\$ -	\$ 68,672	\$ 68,672	\$ -
Cash Assistance							
National School Breakfast Program - 2021-2022 (Grant No. 221970)	10.553	999	-	-	-	999	999
Seamless Summer Option Breakfast - 2020-2021 (Grant No. 211971)	10.553	16,555	-	-	16,555	16,555	-
Seamless Summer Option Breakfast - 2021-2022 (Grant No. 221971)	10.553	119,630	-	-	110,729	119,630	8,901
Seamless Summer Option Lunch - 2020-2021 (Grant No. 211961)	10.555	96,673	-	-	96,673	96,673	-
Seamless Summer Option Lunch - 2021-2022 (Grant No. 221961)	10.555	663,286	-	-	609,599	663,286	53,687
Seamless Summer Option Snack - 2021-2022 (Grant No. 221980)	10.555	11,970	-	-	11,970	11,970	-
Emergency Operating Reimbursement - 2020-2021 (Grant No. 211965)	10.555	37,990	-	-	37,990	37,990	-
Supply Chain Assistance - 2021-22 (Grant No. 220910)	10.555	35,900	-	-	35,900	35,900	-
Pandemic EBT - 2020-2021 (Grant No. 210980)	10.649	3,063	-	-	3,063	3,063	-
		986,068	-	-	922,480	986,068	63,588
Total Child Nutrition Cluster		1,054,150	-	-	991,152	1,054,740	63,588
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County RESA - IDEA							
IDEA - Regular Flow through 2020-2021 (Grant No. 210450)	84.027	204,058	204,058	48,146	48,146	-	-
IDEA - Regular Flow through 2021-2022 (Grant No. 220450)	84.027	291,653	-	-	288,003	291,653	3,650
Total Special Education Cluster		495,711	204,058	48,146	336,149	291,653	3,650
Other Federal Awards:							
U.S. Department of Education - Passed through the Michigan Department of Education - Title I, Part A:							
Improving Basic Program - 2020-2021 Regular (Grant No. 211530)	84.010	1,006,045	790,324	163,917	245,856	81,939	-
Improving Basic Program - 2021-2022 Regular (Grant No. 221530)	84.010	1,016,075	-	-	383,349	767,872	384,523
Total Title I		2,022,120	790,324	163,917	629,205	849,811	384,523

STAR INTERNATIONAL ACADEMY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME	CFDA NUMBER	APPROVED AWARD AMOUNT	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE JULY 1, 2021	FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2022
Other Federal Awards (con't):							
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
MI Charter School Program Grant:							
Charter Schools Planning - 2019-2020 (Grant No. 190610)	84.282A	1,000,000	842,257	462,115	492,531	30,416	-
Charter Schools Planning - 2021-2022 (Grant No. 190610-2122AR)	84.282A	250,000	-	-	-	65,373	65,373
Total MI Charter School Program Grant		<u>1,250,000</u>	<u>842,257</u>	<u>462,115</u>	<u>492,531</u>	<u>95,789</u>	<u>65,373</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title II, Part A:							
Supporting Effective Instruction - 2020-2021 (Grant No. 210520)	84.367	209,808	178,922	5,541	9,151	3,610	-
Supporting Effective Instruction - 2021-2022 (Grant No. 220520)	84.367	144,626	-	-	-	14,537	14,537
Total Title II		<u>354,434</u>	<u>178,922</u>	<u>5,541</u>	<u>9,151</u>	<u>18,147</u>	<u>14,537</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title III, Part A:							
English Language Acquisition- 2020-21 (Grant No. 210580)	84.365A	385,356	257,129	32,811	63,865	31,054	-
English Language Acquisition- 2021-22 (Grant No. 220580)	84.365A	298,769	-	-	162,686	256,950	94,264
Total Title III		<u>684,125</u>	<u>257,129</u>	<u>32,811</u>	<u>226,551</u>	<u>288,004</u>	<u>94,264</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title IV, Part A:							
Student Support & Academic Enrichment - 2020-2021 (Grant No. 210750)	84.424	73,612	55,280	6,741	13,260	6,519	-
Student Support & Academic Enrichment - 2021-2022 (Grant No. 220750)	84.424	76,728	-	-	13,752	26,506	12,754
Total Title IV		<u>150,340</u>	<u>55,280</u>	<u>6,741</u>	<u>27,012</u>	<u>33,025</u>	<u>12,754</u>

STAR INTERNATIONAL ACADEMY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

<u>PROGRAM TITLE/ PROJECT NUMBER/ SUBRECIPIENT NAME</u>	<u>CFDA NUMBER</u>	<u>APPROVED AWARD AMOUNT</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE JULY 1, 2021</u>	<u>FEDERAL FUNDS/ PAYMENTS IN-KIND RECEIVED</u>	<u>EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2022</u>
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Education Stabilization Program:							
Governor's Emergency Education Relief - 2020-2021 (Grant No. 201200)	84.425C	211,520	211,520	79,569	79,569	-	-
ESSER Formula Funds - 2019-2020 (Grant No. 203720)	84.425D	107,683	90,577	8,958	12,864	3,906	-
ESSER Education Equity - 2020-2021 (Grant No. 213712)	84.425D	3,081,185	1,343,397	-	1,678,801	1,678,801	-
ESSER II - Summer Programing - 2020-2021 (Grant No. 213722)	84.425D	91,850	-	-	-	85,478	85,478
ESSER II- Credit Recovery- 2020-2021 (Grant No. 213742)	84.425D	66,500	-	-	-	23,605	23,605
ESSER III Formula- 2021-2022 (Grant No. 213713)	84.425U	6,924,825	-	-	1,827,993	2,712,499	884,506
Total Education Stabilization Program		<u>10,483,563</u>	<u>1,645,494</u>	<u>88,527</u>	<u>3,599,227</u>	<u>4,504,289</u>	<u>993,589</u>
Total noncluster programs passed through the Michigan Department of Education		<u>14,944,582</u>	<u>3,769,406</u>	<u>759,652</u>	<u>4,983,677</u>	<u>5,789,065</u>	<u>1,565,040</u>
TOTAL FEDERAL AWARDS		<u>\$ 16,494,443</u>	<u>\$ 3,973,464</u>	<u>\$ 807,798</u>	<u>\$ 6,310,978</u>	<u>\$ 7,135,458</u>	<u>\$ 1,632,278</u>

STAR INTERNATIONAL ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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, 2022. 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	\$ 5,528,263
Food Service Fund	<u>1,054,740</u>
Deferred Revenue from current year	552,455
Total Revenue per Schedule of Expenditures of Federal Awards	<u>\$ 7,135,458</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>As Reported</u>	<u>Variance</u>
			<u>on 2021-22</u>	<u>on 2021-22</u>	
			<u>Grant Auditor Report</u>	<u>SEFA</u>	
Seamless Summer Option Breakfast	10.553	211971	16,555	16,555	-
Seamless Summer Option Breakfast	10.553	221971	110,729	119,630	(8,901)
Seamless Summer Option Lunch	10.555	211961	96,673	96,673	-
Seamless Summer Option Lunch	10.555	221961	609,599	663,286	(53,687)
Seamless Summer Option Snack	10.555	221980	11,970	11,970	-
Emergency Operating Reimbursement	10.555	211965	37,990	37,990	-
Supply Chain Assistance	10.555	220910	35,900	35,900	-
Pandemic EBT	10.649	210980	3,063	3,063	-
Title I Part A	84.010	211530	143,790	81,939	61,851
Title I Part A	84.010	221530	506,890	767,872	(260,982)
MI Charter School Program Grant	84.282A	190610	245,531	30,416	215,115
Title II Part A	84.367	210520	6,792	3,610	3,182
Title II Part A	84.367	220520	13,587	14,537	(950)
Title III Part A	84.365A	210580	63,865	31,054	32,811
Title III Part A	84.365A	220580	184,734	256,950	(72,216)
Title IV Part A	84.424	210750	11,915	6,519	5,396
Title IV Part A	84.424	220750	20,479	26,506	(6,027)
Governor's Emergency Education Relief	84.425C	201200	79,569	-	79,569
ESSER Formula Funds	84.425D	203720	12,864	3,906	8,958
ESSER Education Equity	84.425D	213712	1,678,801	1,678,801	-
ESSER III Formula	84.425U	213713	2,098,566	2,712,499	(613,933)
		TOTAL	\$ 5,989,862	\$ 6,599,676	

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, 2022**

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
84.425D&U, 84.010	ESSER II & III, Title 1

STAR INTERNATIONAL ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2022

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022. 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>
Results of Audit	2-5
Recommendations	6
Informational Items	6-7

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

Wilkerson & Associate PC

October 24, 2022

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

To the Board of Directors
Star International Academy
October 24, 2022

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, 2022, and have issued our report thereon dated October 24, 2022. 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 January 24, 2022, 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 24, 2022, 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 24, 2022

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, a new accounting policy was adopted, GASB 87, and the application of existing policies were not changed during the year ended June 30, 2022

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 24, 2022

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated 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 24, 2022

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

Recommendations

STAR INTERNATIONAL ACADEMY RECOMMENDATIONS

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

Informational Items

STAR INTERNATIONAL ACADEMY

October 24, 2022

GASB Statement No. 87 – Leases

This statement is effective for the first time in the Academy's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard.

Lessee Accounting under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.