

**STARR DETROIT
ACADEMY**

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

STARR DETROIT ACADEMY

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Wilkerson & Associate P.C.

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LARRY WILKERSON, C.P.A.
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Independent Auditor's Report

To the Board of Directors
Starr Detroit Academy

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining information of Starr Detroit Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

To the Board of Directors
Starr Detroit Academy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Starr Detroit Academy as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Starr Detroit Academy's basic financial statements. The nonmajor funds combining statement of revenues, expenditures, and changes in fund balances – special revenue funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

To the Board of Directors
Starr Detroit Academy

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016, on our consideration of Starr Detroit 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 Starr Detroit Academy's internal control over financial reporting and compliance.

Wilkinson & Associate PC

October 13, 2016

Starr Detroit Academy Management Discussion and Analysis

This section of the Starr Detroit Academy's annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2016. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

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 Starr Detroit 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 longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these 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 most significant funds - the General Fund.

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

Basic Financial Statements
*Government-wide Financial Statements Fund Financial Statements Notes to
the Basic Financial Statements*

*(Required Supplemental Information)
Budgetary Information for Major Funds*

Other Supplemental Information

Reporting the Academy as a Whole - Government-Wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Academy's net position – the difference between the Academy's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the Academy's financial health or position. Over time, increases or decreases in the Academy's net position- as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy. The statement of net position and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction, support services, and community services. Unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**Starr Detroit Academy
Management Discussion and Analysis (continued)**

Reporting the Academy's Governmental Fund - Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. The governmental funds of the Academy use the following accounting approach:

Governmental Funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation.

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net position as of June 30, 2016:

TABLE 1 - Summary of Starr Detroit Academy's Net Position

	Governmental Activities <u>2016</u> (In Thousands)	Governmental Activities <u>2015</u> (In Thousands)
Assets		
Current and other assets	1,659.5	1,563.7
Capital assets	676.9	886.2
Total Assets	2,336.4	2,449.9
Liabilities		
Current liabilities	1,000.0	1,247.0
Non current liabilities	229.7	393.9
Total Liabilities	1,229.7	1,640.9
Net Position		
Net Investments in capital assets	283.0	324.5
Unrestricted	823.7	484.5
Total Net Position	1,106.7	809.0

Net Position- Over time, increases or decreases in Starr Detroit Academy's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess Starr Detroit Academy's overall health, one should consider additional non-financial factors such as changes in pupil membership and the condition of the

**Starr Detroit Academy
Management Discussion and Analysis (continued)**

The results of this year's operations for the Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal year 2016. The Academy prepares financial statements following GASB Statement No. 34.

TABLE 2 - Summary of the Statement of Activities

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
	(In Thousands)	
Revenue		
Program Revenue:		
Operating Grants and Contributions	\$ 2,156.7	\$ 2,555.5
General Revenue		
State foundation allowance	6,649.5	6,230.0
Other	10.0	7.3
Total Revenue	<u>8,816.2</u>	<u>8,792.8</u>
Function/Program Expenses		
Instruction	\$ 3,699.5	\$ 3,511.5
Support Services	3,759.0	3,899.7
Food Services	707.9	648.0
Community Services	94.5	103.7
Interest Expense	17.6	20.6
Depreciation	240.0	227.7
Total functions/pr ogram expense	<u>\$ 8,518.5</u>	<u>\$ 8,411.2</u>
Increase/(Decrease) in Net Position	<u>\$ 297.7</u>	<u>\$ 381.6</u>

Increase in Net Position

Starr Detroit Academy's basic services are included here, such as instructional support, administration community service and food service. State aid finances most of these activities. The Academy's operating grants are reimbursement based, so the amount of expenditures directly affects the amount of revenue.

As reported in the statement of activities, the cost of all of our governmental activities this year was \$8,518.5 thousands. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants and contributions of \$2,156.7 thousands. We paid for the remaining "public benefit" portion of our governmental activities with \$6,649.5 thousands in State foundation allowance, and with our other revenues, i.e., interest.

The Academy's Management Company, Starr Educational Services, is paid a specific fee based on a percentage of state revenue the Academy receives.

Starr Detroit Academy Management Discussion and Analysis (continued)

As discussed above, the net cost shows the financial burden that was placed on the State. Since unrestricted State aid constitute the vast majority of Academy operating revenue sources, the Board of Directors and administration must annually evaluate the needs of the Academy and balance those with State-prescribed available unrestricted resources.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

The General Fund is the Academy's primary operating fund. The General Fund has total revenues of \$8,121.4 thousands, total expenditures of \$7,769.0 thousands. As the Academy completed this year, the governmental funds reported a combined fund balance of \$352.4 thousand dollars.

Starr Detroit Academy operates one nonmajor Special Revenue Fund, for the food service program. Total revenues were \$694.8 thousand; total expenditures were \$707.9 thousand. The ending fund balance is \$56.9 thousand. The year's excess of expenses over revenue is \$13.1.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted at the board meeting on June 15, 2016. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2015-2016 General Fund original budgets. Budgeted revenues were increased by \$94.8 thousand. Budgeted expenditures were decreased by \$97.5 thousand.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the Academy had \$1,358.4 thousands invested in capital assets with a net book value at June 30, 2016 of \$676.9 thousand.

Debt

The Academy leases computers and furniture and fixtures in the original amount of \$685.1 thousand under a long-term lease agreement with Starr Commonwealth. The capital lease provides for the transfer of title to these assets after the associated long-term debt is repaid.

Economic Factors affecting Next Year's Budgets

Our elected officials and administration consider many factors when setting the Academy's 2016 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2016 fiscal year is 10 percent and 90 percent of the February 2016 and September 2015 student counts, respectively. The 2016 budget was adopted in June 2015, based on an estimate of students that would be enrolled in September 2015. Approximately 80 percent of total General Fund revenue is from the foundation allowance. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2017 school year, we anticipate that the fall student count will be comparable to the estimates used in creating the 2016 budget. Once the final student count and related per pupil funding is validated, State law requires the Academy to amend the budget if actual district 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 Academies. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation of \$7,551 per pupil.

Contacting the Academy's Management

This financial report is intended to provide our taxpayers, parents and investors with a general overview of the Academy's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the business office.

**STARR DETROIT ACADEMY
STATEMENT OF NET POSITION
June 30, 2016**

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 156,269
Other Receivables	
State Aid	1,300,699
Federal Aid	202,551
Capital assets, net of accumulated depreciation	<u>676,932</u>
Total Assets	<u><u>\$ 2,336,451</u></u>
Liabilities	
Accounts Payable	\$ 126,691
Accrued payroll and benefits	217,427
Notes payable	143,202
Other accrued liabilities	348,453
Long-term liabilities	
Long-term liabilities, due within one year	164,240
Long-term liabilities, due after one year	<u>229,692</u>
Total Liabilities	1,229,705
Net Assets	
Invested In capital assets, net of related debt	283,000
Unrestricted	<u>823,746</u>
Total net assets	<u><u>\$ 1,106,746</u></u>
Total liabilities and net assets	<u><u>\$ 2,336,451</u></u>

**STARR DETROIT ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental Activities				
Instruction	3,699,499		\$ 1,468,840	\$ (2,230,659)
Supporting services				
Pupil support services	299,610			(299,610)
Instructional staff services	614,251			(614,251)
General administration services	914,048			(914,048)
School Administration	402,052			(402,052)
Business services	63,341			(63,341)
Operations and maintenance	933,760			(933,760)
Transportation	510,601			(510,601)
Central	21,272			(21,272)
Community Services	94,490			(94,490)
Unallocated depreciation, net	240,026			(240,026)
Food services	707,936		687,886	(20,049)
Interest and charges on long term debt	17,636			(17,636)
Total governmental activities	<u>\$ 8,518,521</u>	\$ -	<u>\$ 2,156,726</u>	(6,361,795)
General revenues				
				6,649,471
				<u>10,025</u>
			Total general revenues	<u>6,659,496</u>
				297,701
				<u>809,045</u>
				<u>\$ 1,106,746</u>

**STARR DETROIT ACADEMY
GOVERNMENTAL FUNDS
BALANCE SEET
June 30, 2016**

ASSETS

	General	Special Revenue	Total Governmental Funds
Cash and Cash Equivalents	\$ 68,512	\$ 87,757	\$ 156,269
Due from Other Governmental Units	1,462,899	40,351	1,503,250
Total Assets	\$ 1,531,411	\$ 128,108	\$ 1,659,519

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts Payable	\$ 111,455	\$ 15,236	\$ 126,691
Notes Payable	143,202	-	143,202
Accrued Payroll & Benefits	217,427	-	217,427
Due to Management Company	136,276	55,930	192,206
Management Fee Payable	120,624	-	120,624
Other Accrued Liabilities	35,623	-	35,623
Total Liabilities	764,607	71,166	835,773
Fund Balances			
Undesignated	766,804	56,942	823,746
Total Fund Balances	766,804	56,942	823,746
Total Liabilities and Fund Balances	\$ 1,531,411	\$ 128,108	\$ 1,659,519

Starr Detroit Academy
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET ASSETS
June 30, 2016

Total Fund Balances - Governmental Funds \$ 823,746

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

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

Cost of capital assets	\$	1,358,433	
Accumulated depreciation		681,501	676,932

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital leases		(393,932)	
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Total Net Assets - Governmental Activities **\$ 1,106,746**

STARR DETROIT ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue	Total Governmental Funds
Revenue:			
Local sources	\$ 10,025	\$ -	\$ 10,025
State sources	7,161,838	6,912	7,168,750
Federal sources	<u>949,562</u>	<u>687,886</u>	<u>1,637,448</u>
Total Revenue	8,121,425	694,798	8,816,223
Expenditures:			
Instruction:			
Basic Instruction	2,607,927	-	2,607,927
Added Needs	<u>1,122,291</u>	<u>-</u>	<u>1,122,291</u>
Total Instruction	3,730,218	-	3,730,218
Support Services:			
Pupil Services	299,610	-	299,610
Instructional Staff	614,251	-	614,251
General Administration	914,048	-	914,048
School Administration	402,052	-	402,052
Business Services	63,341	-	63,341
Operations and Maintenance	933,760	-	933,760
Transportation	510,601	-	510,601
Central	21,272	-	21,272
Community Services	<u>94,490</u>	<u>-</u>	<u>94,490</u>
Total Support Services	3,853,425	-	3,853,425
School Lunch Program	<u>-</u>	<u>707,936</u>	<u>707,936</u>
Total Expenditures	<u>7,583,643</u>	<u>707,936</u>	<u>8,291,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>537,782</u>	<u>(13,138)</u>	<u>524,644</u>
Other Financing Sources (Uses)			
Operating Transfer In*	-	-	-
Operating Transfer Out	-	-	-
Debt service			
Principal	167,772	-	167,772
Interest	<u>17,636</u>	<u>-</u>	<u>17,636</u>
Total Other Financing Sources (Uses)	<u>185,408</u>	<u>-</u>	<u>185,408</u>
Net Change in Fund Balances	352,374	(13,138)	339,236
Fund Balances:			
Beginning of Period	<u>414,430</u>	<u>70,080</u>	<u>484,510</u>
End of Period	<u>\$ 766,804</u>	<u>\$ 56,942</u>	<u>\$ 823,746</u>

**STARR DETROIT ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds \$ 339,236

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

Governmental funds report capital outlays as expenditures;
in the statement of activities, these cost are allocated over
their estimated useful as depreciation or amortization:

Depreciation expense	240,026	
Capital Outlays	<u>30,719</u>	(209,307)

Repayment of long-term debt is an expenditure in the governmental funds,
but it reduces long-term liabilities in the statement of net assets and does
not affect the statement of activities:

Principal	167,772
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Change in Net Assets of Governmental Activities \$ 297,701

STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of STARR DETROIT 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

STARR DETROIT 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 Central Michigan University to organize and administer a public school academy is effective through June 30, 2017. 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 Central Michigan University Board of Trustees 3 percent of State Aid as administrative fees. The total administrative fee paid through STARR DETROIT ACADEMY to the Central Michigan University Board of Trustees was approximately \$194,885 for the year ended June 30, 2016.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

B. District-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Other items not properly included among program revenue are reported instead as general revenue.

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

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

District-Wide Statements

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

**STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

District-Wide Statements (Continued)

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

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

Fund-Based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

Fund-Based Statements (Continued)

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

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

The Academy reports the following major governmental fund:

General Fund

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

**STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

Fund-Based Statements (Continued)

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

D. Assets, Liabilities, and Net Position or Equity

Deposits, Cash Equivalents, and Investments

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

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

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

**STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

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

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

MPSERS Liability

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

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2016.

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.

**STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity

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

Comparative Data

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

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

Capital assets of \$1,358,433 (net depreciation of \$681,501) are currently recorded in the governmental activities column of the statement of Net Position.

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

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary Data

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Academy formally adopted General Fund, and Special Revenue Funds (Food Services) budgets by function for the fiscal year ended June 30, 2016. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund and Special Revenue Funds at June 30, 2016. During the current year, the budget was amended in a legally permissible manner.

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

STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$156,269. As a result, the Academy evaluates each financial institution with which its deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. The Academy does not have a policy for interest rate risk.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy does not further limit its investment choices.

At year end, the Academy had no investments.

STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - RECEIVABLES

Receivables as of year-end were as follows:

	<u>General Fund</u>	<u>Food Service</u>	<u>Total</u>
State of Michigan	\$ 1,300,699	\$ -	\$ 1,300,699
Federal	<u>162,200</u>	<u>40,351</u>	<u>202,551</u>
	<u>\$ 1,462,899</u>	<u>\$ 40,351</u>	<u>\$ 1,503,250</u>

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	Balance	Additions	Disposals	Balance
	July 1, 2015			June 30, 2016
Capital assets				
Computers	\$ 390,433	\$ 11,908	\$ -	\$ 402,341
Furniture and equipment	\$ 937,281	18,811	-	956,092
Subtotal	<u>1,327,714</u>	<u>30,719</u>	<u>-</u>	<u>1,358,433</u>
Accumulated depreciation:				
Computers	\$ 227,818	\$ 134,116	\$ -	\$ 361,934
Furniture & Equipment	213,657	105,910	-	319,567
Subtotal	<u>441,475</u>	<u>240,026</u>	<u>-</u>	<u>681,501</u>
Net capital assets	<u>\$ 886,239</u>	<u>\$ (209,307)</u>	<u>\$ -</u>	<u>\$ 676,932</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$240,026.

NOTE 6 - 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.

**STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG –TERM DEBT

The Academy executed a seven year capital lease agreement with Starr Commonwealth, a Michigan non-profit organization, in March of 2014 in the amount of \$627,950. The lease provides computers and computer equipment. Title of the assets transfers to the Academy at the end of the lease if the Academy makes all of the scheduled payments. The stated interest rate in the lease is 3%, and the lease ends on June 30, 2021.

The Academy executed a five year capital lease agreement with Starr Commonwealth in May 20, 2015 in the amount of \$57,159. The lease provides security camera equipment to the Academy. Title of the assets transfers to the Academy at the end of the lease, if the Academy makes the scheduled payments. The stated interest rate in the lease is 3% and the lease ends on June 30, 2018.

The combined lease liabilities represent an obligation that was paid from current resources, and the payment is recorded as a liability in the fund financial statements as principal of \$167,772 and interest on \$17,636.

Long term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Capital Leases:					
Computers and Computer equipment	\$ 561,704	\$ -	\$ 167,772	\$ 393,932	\$ 164,240
Total Governmental Activities	<u>\$ 561,704</u>	<u>\$ -</u>	<u>\$ 167,772</u>	<u>\$ 393,932</u>	<u>\$ 164,240</u>

Future minimum payments for the capital leases are as follows:

	Principal	Interest	Total
2017	\$ 164,240	\$ 12,603	\$ 176,843
2018	105,123	6,891	112,014
2019	41,263	3,737	45,000
2020	42,501	2,499	45,000
2021	40,805	1,224	42,029
	<u>\$ 393,932</u>	<u>\$ 26,954</u>	<u>\$ 420,886</u>

STARR DETROIT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - PENSION PLAN

The Academy did not participate in the Michigan Public School Employees' Retirement System (MPERS). The Academy's employees are leased from SCES. Therefore, no pension plan disclosure is deemed necessary.

NOTE 9 - OVERSIGHT FEES

The Academy pays an administrative oversight fee of 3% of its state school aid discretionary and Proposal A obligation payments to Central Michigan University, as set forth by contract, to reimburse Central Michigan University for the cost of execution of its oversight responsibilities. These oversight responsibilities include the monitoring of the Academy's compliance with the terms and conditions of the contract, and the review of its audited financial statements and periodic reports. During the year ended June 30, 2016, the Academy incurred approximately \$194,885 for oversight fees.

NOTE 10 - OPERATING LEASE

On July 1, 2012, the Academy entered into a lease agreement with Starr Commonwealth. The lease is executed for purposes of operating a charter school building to house the student body and the Academy administration and expires on June 30, 2017. The Academy agreed to pay the Lessor base rent of \$342,000. The management company absorbed 5% for the lease payments. A total of \$324,900 was paid during the year ended June 30, 2016. Future minimum rental payments are as follows:

	Facility Rental	
2017	\$	360,000
	<hr/>	<hr/>
	\$	360,000
		<hr/>

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through **October 13, 2016**, which is the date the financials statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTAL INFORMATION

**STARR DETROIT ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Over/(Under) Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local revenues		\$ -	\$ 10,025	\$ 10,025
State program revenues	6,904,811	7,143,062	7,161,838	18,776
Federal program revenues	1,210,893	1,067,513	949,562	(117,951)
Total revenues	8,115,704	8,210,575	8,121,425	(89,150)
Expenditures				
Current				
Instructional services	3,699,168	3,715,742	3,730,218	14,476
Supporting services	4,086,228	3,972,116	3,853,425	(118,691)
Debt service:				
Principal	167,772	167,772	167,772	
Interest	17,636	17,636	17,636	
Capital outlay:				
Total expenditures	7,970,804	7,873,266	7,769,051	(104,215)
Excess (Deficiency) of Revenues Over Expenditures	144,900	337,309	352,374	15,065
Other Financing Sources (Uses)				
Prior period adjustment	-	-		-
Operating transfers - out				
Total other financing sources (uses)				
Net Change in Fund Balance	144,900	337,309	352,374	15,065
Fund Balance - July 1, 2015	222,322	414,430	414,430	
Fund Balance - June 30, 2016	\$ 367,222	\$ 751,739	\$ 766,804	\$ 15,065

See accompanying notes to financial statements

**STARR DETROIT ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT
JUNE 30, 2016**

SECTION A

**STARR DETROIT ACADEMY
SUPPLEMENTAL INFORMATION
SINGLE AUDIT REPORT**

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Wilkerson & Associate P.C.

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

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

To the Board of Directors
Starr Detroit 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 Starr Detroit Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Starr Detroit Academy's basic financial statements, and have issued our report thereon dated October 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Starr Detroit 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 Starr Detroit Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Starr Detroit 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
Starr Detroit 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 Starr Detroit Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wilkinson & Associates PC

Dearborn, Michigan
October 13, 2016

Wilkerson & Associate P.C.

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

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

To the Board of Directors
Starr Detroit Academy

Report on Compliance for each Major Federal program

We have audited Starr Detroit 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 Starr Detroit Academy's major federal programs for the year ended June 30, 2016. Starr Detroit 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 Starr Detroit 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 Starr Detroit 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 Starr Detroit Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Starr Detroit Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Starr Detroit 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 Starr Detroit 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 Starr Detroit 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 Starr Detroit Academy as of and for the year ended June 30, 2016, and have issued our report thereon dated October 13, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management as was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing

Starr Detroit Academy
To the Board of Directors
Page 4

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.

Wilkerson & Associates PC

Dearborn, Michigan
October 13, 2016

**STARR DETROIT ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL/GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM/TITLE/GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2015	(MEMO ONLY) PRIOR YEAR EXPENDITURES	ADJUSTMENTS AND TRANSFERS	CURRENT YEAR EXPENDITURES	CURRENT YEAR CASH RECEIPTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2016
Child Nutrition Cluster - U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Cash Assistance:								
National School Breakfast Program								
Project Number 151970	10.553	239,345	18,941	209,467		29,878	48,819	
Project Number 161970	10.553	205,276				205,276	191,151	14,125
		<u>444,621</u>	<u>18,941</u>	<u>209,467</u>		<u>235,154</u>	<u>239,970</u>	<u>14,125</u>
National School Lunch Program								
Project Number 151960	10.555	374,230	28,326	324,343		49,887	78,213	
Project Number 161960	10.555	350,409				350,409	325,275	25,134
		<u>724,639</u>	<u>28,326</u>	<u>324,343</u>		<u>400,296</u>	<u>403,488</u>	<u>25,134</u>
National School Snack Program								
Project Number 151980		36,190	2,666	30,861		5,329	7,995	
Project Number 161980		17,409				17,409	16,317	1,092
		<u>53,599</u>	<u>2,666</u>	<u>30,861</u>		<u>22,738</u>	<u>24,312</u>	<u>1,092</u>
Non-Cash Assistance (Commodities)								
Commodities Entitlement - 1516	10.569	29,698				29,698	29,698	
		<u>1,252,557</u>	<u>49,933</u>	<u>564,671</u>	<u>-</u>	<u>687,886</u>	<u>697,468</u>	<u>40,351</u>
Total Child Nutrition Cluster								
Other Federal Awards:								
U.S. Department of Education:								
Title I, Part A - Project Number 151530 -1415	84.010	1,081,241	86,870	851,454	37,958	282,806	407,634	407,634
Title I, Part A - Project Number 161530-1516	84.010	814,141				504,602	447,185	57,417
Title II, Part A - Improving Teacher Quality								
Project Number 150520-1415	84.367	116,547	10,119	98,677			10,119	
Project Number 160520-1516	84.367	121,940				46,290	46,290	
Wayne RESA IDEA Flow-Through								
IDEA Regular Flow Through	84.027	115,863				115,863	101,444	14,419
		<u>2,249,732</u>	<u>96,989</u>	<u>950,131</u>	<u>37,958</u>	<u>949,562</u>	<u>1,012,672</u>	<u>479,470</u>
Total Passed Through Michigan Department of Education								
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 3,502,289</u>	<u>\$ 146,922</u>	<u>\$ 1,514,802</u>	<u>\$ 37,958</u>	<u>1,637,448</u>	<u>\$ 1,710,140</u>	<u>\$ 519,821</u>

The accompanying notes are an integral part of this schedule.

**STARR DETROIT ACADEMY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Starr Detroit Academy under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Starr Detroit Academy, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Starr Detroit 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

Starr Detroit 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	\$	949,562
Food Service Fund		687,886
		687,886
Total Revenue per Schedule of Expenditures of Federal Awards	\$	1,637,448

NOTE 5 - GRANT SECTION AUDITOR REPORT

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

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

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? Yes X No

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

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

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

Identification of major program:

CFDA Number	Federal Program
84.010	TITLE I, Part A

STARR DETROIT ACADEMY
REPORT TO THE BOARD OF DIRECTORS

JUNE 30, 2016

Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the Board of Directors
Starr Detroit Academy

We have recently completed our audit of the basic financial statements of Starr Detroit Academy (the "Academy") as of and for the year ended June 30, 2016. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

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

Wilkerson & Associate PC

October 13, 2016

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

To the Board of Directors
Starr Detroit Academy
October 13, 2016

Results of the Audit

We have audited the financial statements of Starr Detroit Academy (the “Academy”) as of and for the year ended June 30, 2016 and have issued our report thereon dated October 13, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 13, 2016 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors
Starr Detroit Academy
October 13, 2016

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the Academy in our meeting about planning matters during the preliminary audit phase.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

To the Board of Directors
Starr Detroit Academy
October 13, 2016

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2016.

Management Consultants with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultant involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultants with other accountants.

To the Board of Directors
Starr Detroit Academy
October 13, 2016

Other Audit Findings or Issues

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

Other Information in Documents Containing Audited Financial Statements

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

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

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

Very truly yours,

Wilkerson & Associate PC

Larry D. Wilkerson, CPA

To the Board of Directors
Starr Detroit Academy
October 13, 2016

Recommendations

STARR DETROIT 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

STARR DETROIT ACADEMY Informational Item

EARLY WARNING INDICATORS

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