VIRTUAL LEARNING ACADEMY
OF ST. CLAIR COUNTY
Marysville, Michigan

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2022

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

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JUNE 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Virtual Learning Academy of St. Clair County
Marysville, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Virtual Learning Academy of St. Clair County (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 financial position of the governmental activities and each major fund of the Virtual Learning Academy of St. Clair County as of June 30, 2022, the respective changes in financial position, and the budgetary comparison information for the General Fund and Food Service Fund for the year then ended in accordance with accounting principles generally 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to 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.

Change in Accounting Principle

As discussed in Note 9 to the financial statements, the Academy adopted GASB Statement No. 87, *Leases*, for 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 the 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatements 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 control 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 Academy's 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.

Report on Summarized Comparative Information

We have previously audited the Academy's June 30, 2021 financial statements, and we expressed unmodified opinions on those financial statements in our report dated October 11, 2021. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements for which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension system and other postemployment benefit schedules, as listed 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022 on 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 and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Academy's 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 Virtual Learning Academy of St. Clair County's internal control over financial reporting and compliance.

UHY LLP

Port Huron, Michigan
October 18, 2022

This section of Virtual Learning Academy of St. Clair County's (the "Academy") annual financial report presents our discussion and analysis of the Academy's performance during the year ended June 30, 2022. Please read in conjunction with the Academy's financial statements, which immediately follow this section.

Using This Annual Report

The Academy's financial statements are presented as a "special purpose unit" since it is engaged to provide a single program, namely, to teach alternative education as a Virtual High School. As a result, the fund financial statements and the district-wide financial statements are combined by using a columnar format that reconciles individual line items of the fund financial data to the district-wide data in a separate column. These statements are organized so the reader can understand the Academy financially as a whole. These statements are comprised of four components: (1) district-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplementary information.

Reporting the Academy as a Whole - District-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 report information on the Academy as a whole and its activities and changes in net position in a way that helps 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 assets and deferred outflows of resources and liabilities and deferred inflows of resources, as reported in the statement of net position – as one way to measure the Academy's financial health or financial 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 non-financial factors, such as the quality of the education provided and the safety of the students and faculty, to assess the overall health of the Academy.

Reporting the Academy's Governmental Fund Financial Statements

Unlike the district-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the amount of spendable resources available at the end of the year. Such information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the fund statements in reconciliations presented in the notes to the financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and general fund financial statements.

Required Supplementary Information

Presents required supplementary information concerning the Academy's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees and budgeting information for the General Fund.

FINANCIAL HIGHLIGHTS

The Academy As A Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. Table I provides a comparison of the statement of net position as of June 30 in a condensed format:

Table I

	2022	2021
Assets:		
Current and other assets	$ 1,654,429	$ 1,531,193
Non-current assets	247,381	50,755
Total Assets	1,901,810	1,581,948
Deferred Outflows of Resources	427,887	569,581
Liabilities:		
Current liabilities	66,342	65,639
Noncurrent liabilities	1,516,346	2,221,880
Total liabilities	1,582,688	2,287,519
Deferred Inflows of Resources	898,103	380,680
Net Position (Deficit):		
Investment in capital assets	171,937	50,755
Restricted	476	257
Unrestricted	(323,507)	(567,682)
Total Net Position	$(151,094)	$(516,670)

The above analysis focuses on the net position. The change in net position (see Table II) of the Academy's governmental activities is discussed below. The Academy's net position (deficit) was $151,094 at June 30, 2022, which represents the accumulated results of all past year's operations. Investment in capital assets of $171,937 represents the original cost of the assets less accumulated depreciation and $476 was restricted for food services, with the remaining $323,507 an unrestricted deficit.

The results of operations for the Academy are reported in the statement of activities (see condensed format Table II), which shows the change in net position for the years ended June 30:

Table II

	2022	2021
Revenues:		
Local sources	$ 2,853	$ 1,878
State sources	1,387,271	1,279,168
Federal sources	126,434	195,658
Interdistrict sources	12,884	17,841
Total Revenues	1,529,442	1,494,545
Expenditures:		
Instruction	400,336	508,933
Support services	718,337	818,010
Depreciation/Amortization expense	45,193	8,213
Total Expenses	1,163,866	1,335,156
Change in Net Position	$ 365,576	$ 159,389

The Academy experienced an increase in net position of $365,576 for the year ended June 30, 2022. The increase in net position differs from the change in Fund Balance. A reconciliation appears on page 16. The Academy's adjustment for their proportionate share of the OPEB and pension liabilities of the Michigan Public School Employees' Retirement System affected the net position.

The Academy's General Fund

As noted earlier, the focus of the General Fund financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such financial information helps the reader consider whether the Academy is being accountable for the resources it has been provided, which may provide more insight into the Academy's overall financial health.

As the Academy completed the year, it reported an ending fund balance of $1,587,611, an increase of $122,314 over 2021. The increase is primarily due to student count per pupil allocation increasing. The increase was also due to the assistance of federal funds to help offset any COVID-19 related issues.

Of the fund balance, $41,860 was nonspendable for prepaid expenditures and the remaining $1,545,751 is unassigned.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Academy revises its budget as it attempts to deal with the changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided as a basic financial statement. Significant changes to the original budget were as follows:

- The final amended budgeted revenue was higher than the original budget by $394,548. A significant portion of this is due to the APO ESSER III, ESSER II, and ARP IDEA grant allocation approved after the original budget was presented. Along with the increase in grant allocations, the revenue from state funds also increased. At the time, the original budget was completed, the State did not have an approved budget, therefore the per pupil allocation was an estimate of $8,275 per FTE. When the final budget was completed, the per pupil allocation was adjusted to reflect $8,700, which is an additional $425 per FTE

- The final amended budgeted expenditures and transfers out were higher than the original budget by $329,615. The overall increase in the budget is due to including the expenditures for the approved ARP ESSER III, ESSER II, and IDEA Flowthrough grant allocation that was not reflected in the original budget.

Actual expenditures were less than final amended by $340,147. The difference was due to the grant funds that were unspent as of June 30th along with a teaching position that the Academy has been unable to fill. This is offset by the increase of capital outlay to record the building lease.

CAPITAL ASSETS

At June 30, 2022, the Academy had $170,418 invested in capital assets for its governmental activities (net of accumulated depreciation), representing an increase of $119,663 over 2021. The increase is due to the Academy updating teacher and student desks along with technology upgrades. In addition, during the year, the Academy added $76,963 of right-to-use assets (net of amortization) for the VLA Building.

Additional information on the Academy's capital assets can be found in Note 5 to the financial statements.

LONG-TERM DEBT

During the year, the Academy leased a building with a net present value of $115,444 on a three-year lease and paid $40,000 for the fiscal 2022 year, leaving a lease payable of $75,444.

Additional information on the Academy's long-term debt can be found in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the 2022-23 fiscal year, the economic outlook for the State of Michigan is strong and the expected per pupil funding was expected to increase. At the time of the completion of the Virtual Learning Academy's budget, the State had not approved their budget, but the Academy projected a per pupil increase of $9,135.

In the 2022-23 school year, the student count is anticipated to remain stable. The Academy is projecting 135 students for the fall 2022 count. The State will use the traditional 90/10 blend to calculate FTE. Therefore, 90% of the 135 and 10% of the spring 2022 count will be used.

Since the start of the school year, the revenue picture has improved. The anticipated per pupil funding is expected to be higher than anticipated. With the State approved budget, the per pupil funding increased to $9,150. This is a very small increase of $15 from the projected amount used in the proposed new year budget of $9,135. The Academy still has some ARP ESSER funding available in the 2022-23 fiscal year. These funds are earmarked to assist students with learning loss or mental health concerns.

The expenditures for the 2022-23 school year are projected to be relatively stable. The Academy is looking at providing more hands-on art and science activities for the students and therefore more teaching supplies will be purchased to provide these learning opportunities for the students. Along with these learning opportunities, the Academy continues to provide college and career activities to the students to provide them with knowledge of the various opportunities available to them after they graduate. Along with the investment in students, the Board of Education has approved a salary increase for the administrative, teaching and support staff who continue to work tirelessly to help the Virtual Learning Academy students succeed.

At the time of the 2022-23 proposed budget, the anticipated fund balance projected is $1,491,942 or 80.18%. The budget will be reviewed frequently and amendments prepared as necessary.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Academy's citizens, taxpayers, customers, and investors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the resources received. If you have questions about this report or need additional financial information, contact the Business Department, P.O. Box 1500, Marysville, MI 48040.

BASIC FINANCIAL STATEMENTS

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds	Adjustments Note 2	Governmental Activities
Assets:					
Cash and cash equivalents	$ 1,330,206	$ 756	$ 1,330,962	$ -	$ 1,330,962
Accounts receivable	1,371	-	1,371	-	1,371
Due from other governmental units	278,985	1,251	280,236	-	280,236
Prepaid expenditures/expenses	41,860	-	41,860	-	41,860
Right to use asset, being amortized (net of accumulated amortization)	-	-	-	76,963	76,963
Capital assets, being depreciated (net of accumulated depreciation)	-	-	-	170,418	170,418
Total Assets	1,652,422	2,007	1,654,429	247,381	1,901,810
Deferred Outflows of Resources:					
Related to pension plan	-	-	-	305,297	305,297
Related to OPEB plan	-	-	-	122,590	122,590
Total Deferred Outflows of Resources	-	-	-	427,887	427,887
Total Assets and Deferred Outflows of Resources	$ 1,652,422	$ 2,007	$ 1,654,429		
Liabilities:					
Accounts payable	$ 1,843	$ -	$ 1,843	-	1,843
Accrued payroll and fringes	24,571	-	24,571	-	24,571
Due to other governmental units	787	1,531	2,318	-	2,318
Unearned revenue	37,610	-	37,610	-	37,610
Non-current liabilities -					
Lease liability due within one year	-	-	-	36,982	36,982
Lease liability due in more than one year	-	-	-	38,462	38,462
Net pension liability	-	-	-	1,353,066	1,353,066
Net OPEB liability	-	-	-	87,836	87,836
Total Liabilities	64,811	1,531	66,342	1,516,346	1,582,688
Deferred Inflows of Resources:					
Related to pension plan	-	-	-	554,470	554,470
Related to OPEB plan	-	-	-	343,633	343,633
Total Deferred Inflows of Resources	-	-	-	898,103	898,103
Fund Balance:					
Nonspendable - Prepaid expenditures	41,860	-	41,860	(41,860)	-
Restricted - Food service	-	476	476	(476)	-
Unassigned	1,545,751	-	1,545,751	(1,545,751)	-
Total Fund Balance	1,587,611	476	1,588,087	(1,588,087)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 1,652,422	$ 2,007	$ 1,654,429		
Net Position:					
Investment in capital assets, net of related debt				171,937	171,937
Restricted - Food service				476	476
Unrestricted (Deficit)				(323,507)	(323,507)
Total Net Position				$(151,094)	$(151,094)

The accompanying notes are an integral part of these financial statements.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds	Adjustments Note 2	Governmental Activities
Revenues:					
Local sources	$ 2,853	$ -	$ 2,853	$ -	$ 2,853
State sources	1,404,250	20	1,404,270	(16,999)	1,387,271
Federal sources	121,140	5,294	126,434	-	126,434
Interdistrict sources	12,884	-	12,884	-	12,884
Total Revenues	1,541,127	5,314	1,546,441	(16,999)	1,529,442
Expenditures/Expenses:					
Instruction	585,300	-	585,300	(184,964)	400,336
Support services	790,785	7,823	798,608	(80,271)	718,337
Depreciation/amortization expense	-	-	-	45,193	45,193
Capital Outlay	115,444	-	115,444	(115,444)	-
Debt Service	40,000	-	40,000	(40,000)	-
Total Expenditures/Expenses	1,531,529	7,823	1,539,352	(375,486)	1,163,866
Revenue over (under) expenditures	9,598	(2,509)	7,089	358,487	365,576
Other Financing Sources (Uses) :					
Transfer In	-	2,728	2,728	(2,728)	-
Transfer Out	(2,728)	-	(2,728)	2,728	-
Lease Proceeds	115,444	-	115,444	(115,444)	-
Total Other Financing Sources (Uses)	112,716	2,728	115,444	(115,444)	-
Net Change in Fund Balance/Net Position	122,314	219	122,533	243,043	365,576
Fund Balance/Net Position at beginning of year	1,465,297	257	1,465,554	(1,982,224)	(516,670)
Fund Balance/Net Position at end of year	$ 1,587,611	$ 476	$ 1,588,087	$(1,739,181)	$(151,094)

The accompanying notes are an integral part of these financial statements.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
WITH ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

	2022				2021
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	Actual
Revenues:					
Local sources	$ 2,050	$ 2,750	$ 2,853	$ 103	$ 1,878
State sources	1,320,283	1,441,897	1,404,250	(37,647)	1,293,879
Federal sources	160,277	419,956	121,140	(298,816)	192,150
Interdistrict sources	-	12,555	12,884	329	17,841
Total Revenues	1,482,610	1,877,158	1,541,127	(336,031)	1,505,748
Expenditures:					
Instruction -					
Basic programs	468,879	734,948	462,998	271,950	340,908
Added needs	173,822	164,730	122,302	42,428	167,786
Supporting services -					
Pupil	335,878	392,359	292,524	99,835	304,948
Instructional staff	99,330	98,138	89,554	8,584	84,252
General administration	29,230	28,680	28,074	606	27,875
School administration	119,552	122,132	120,813	1,319	110,944
Business	78,225	79,013	74,078	4,935	73,547
Transportation	50	50	-	50	-
Operation and maintenance	87,453	103,960	90,393	13,567	115,303
Central	110,642	106,894	95,349	11,545	97,317
Capital Outlay	-	-	115,444	(115,444)	-
Debt Service	40,000	40,000	40,000	-	-
Total Expenditures	1,543,061	1,870,904	1,531,529	339,375	1,322,880
Revenue over (under) expenditures	(60,451)	6,254	9,598	3,344	182,868
Other Financing Sources (Uses):					
Transfer Out	(1,728)	(3,500)	(2,728)	772	-
Lease Proceeds	-	-	115,444	115,444	
Total Other Financing Sources (Uses)	(1,728)	(3,500)	112,716	116,216	-
Change in Fund Balance	(62,179)	2,754	122,314	119,560	182,868
Fund Balance at beginning of year	1,465,297	1,465,297	1,465,297	-	1,282,429
Fund Balance at end of year	$ 1,403,118	$ 1,468,051	$ 1,587,611	$ 119,560	$ 1,465,297

The accompanying notes are an integral part of these financial statements.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
WITH ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

	2022				2021
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	Actual
Revenues:					
State sources	$ 25	$ 25	$ 20	$(5)	$ 21
Federal sources	7,183	2,950	5,294	2,344	3,508
Total Revenues	7,208	2,975	5,314	2,339	3,529
Expenditures:					
Supporting services -					
Other support services	8,936	5,950	7,823	(1,873)	3,558
Revenues under expenditures	(1,728)	(2,975)	(2,509)	466	(29)
Other Financing Sources:					
Transfer In	1,728	-	2,728	2,728	-
Change in Fund Balance	-	(2,975)	219	3,194	(29)
Fund Balance at beginning of year	257	257	257	-	286
Fund Balance at end of year	$ 257	$(2,718)	$ 476	$ 3,194	$ 257

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Virtual Learning Academy of St. Clair County, Michigan (the "Academy"), conform to generally accepted accounting principles as applicable to charter school academies. The following is a summary of the significant accounting policies:

A. Financial Reporting Entity -

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on April 16, 2009.

In connection, the Academy has entered into contracts with St. Clair County Regional Educational Service Agency (RESA) to operate as a public-school academy. The contracts require 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 RESA Board of Education is the chartering agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays RESA administrative support fees, data processing fees, business services fees, rent, and other items. The most recent contract, dated June 21, 2021, is for a three-year period ending June 30, 2024.

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. The criteria includes significant operational financial relationships that determine which of the governmental organizations are part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. Based on the criteria, the Academy had no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

The district-wide financial statement columns (statement of net position and statement of activities) 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 and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the governmental-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenue is recognized when 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 Academy considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

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

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then the unrestricted resources as they are needed.

The Academy reported the following major governmental fund:

General Fund - is the Academy's primary operating fund. It accounts for all activities of the Academy not reported in other funds.

Additionally, the Academy reports the following non-major fund:

Food Service Fund - is used to account for revenue restricted to food service.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance -

Cash and Cash Equivalents - The Academy's cash and cash equivalents are cash on hand, savings, demand deposits, and money markets.

Receivables/Due from Other Governmental Units - All receivables are shown net of any uncollectible amount.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the district-wide financial statements and in the fund financial statements.

Right-to-Use Asset/Leases Payable - In accordance with GASB Statement No. 87, *Leases*, a lease liability is recognized and a right-to-use asset is recorded by the lessee on long-term leases (noncancelable leases greater than 12 months). The right-to-use asset is being amortized on the straight-line basis over the shorter of the life of the asset or the period of the lease agreement, which is three (3) years.

Capital Assets - Capital assets, which consist of furniture and other equipment, are recorded in the district-wide financial statements. Capital assets are defined by the Academy as assets with a useful life in excess of one year and an initial individual cost of $2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The furniture and equipment are depreciated on a straight-line method over estimated useful life of 3-10 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Long-term Obligations - Long-term liabilities are recorded in the district-wide financial statements. The only long-term liabilities are for leases payable and pension and other postemployment benefits (OPEB). The face amount of debt issued is reported as other financing sources.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Academy reports deferred outflows of resources related to the net pension and net OPEB liabilities. The contributions made subsequent to the measurement date are recognized in the following plan year; the difference between projected and actual plan investment earnings is amortized over five (5) years, and the remaining deferred items are amortized over the average remaining service lives of the participants.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) so will not be recognized as an inflow of resources (revenue) until that time. The Academy reports deferred inflows of resources related to pension and OPEB liabilities. The revenues in support of pension contributions made subsequent to the measurement date are recognized in following plan years. The difference between projected and actual plan investment earnings is amortized over five (5) years, and the remaining deferred items are amortized over the average remaining service lives of the participants.

Fund Balance - In the financial statements, the governmental funds can present fund balance in one or more of the following classifications:

Nonspendable fund balance - the portion of fund balance that cannot be spent based on its form or because it must remain intact.

Restricted fund balance - the portion of fund balance that has limitations imposed by external sources.

Committed fund balance - the portion of fund balance where amounts can only be used for specific purposes pursuant to constraints imposed by formal action via board resolution, (e.g., to establish, modify or rescind) of the highest level of decision-making authority (Board of Trustees).

Assigned fund balance - the portion of fund balance that reflects the Academy's intended use of resources. Such intent currently must be determined by the Director of Business Operations.

Unassigned fund balance - the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Academy's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Estimates - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of differences between the balance sheet and the district-wide statement of net position (Page 8):

Fund Balance - Governmental Funds	$	1,588,087
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the General Fund.		
Right-to-use asset		115,444
Capital assets		221,691
Accumulated depreciation/amortization	(	89,754)
Certain pension/OPEB contributions and changes in pension/ OPEB plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.		
Deferred outflows of resources		427,887
Deferred inflows of resources	(	898,103)
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the General Fund.		
Lease liability	(	75,444)
Net pension liability	(	1,353,066)
Net OPEB liability	(	87,836)
Net Position - Governmental Activities	$(	151,094)

NOTE 2 - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS - (cont'd):

B. Explanation of differences between the statement of revenues, expenditures, and changes in fund balance and the district-wide statement of activities (Page 9):

Change in fund balance - Governmental Funds	$ 122,533
The governmental funds reports capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Right-to-use asset	115,444
Capital outlay	126,375
Depreciation/Amortization	(45,193)
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the general fund statements	
Lease proceeds	(115,444)
Principal payments on lease	40,000
Change in pension OPEB contributions made subsequent to the pension OPEB plan's measurement date.	4,184
Change in revenue in support of pension contributions made subsequent to the pension plan's measurement date.	(16,999)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the General Fund.	
Decrease in net pension liability	563,275
Decrease in net OPEB liability	217,703
Change in pension expense related to deferred items related to the pension and OPEB plans	(646,302)
Change in Net Position - Statement of Activities	$ 365,576

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgets -

The Academy's Chief Administrative Officer and Business Manager prepare and submit the proposed operating budgets prior to June 1 for the fiscal year commencing July 1. Prior to June 30, the proposed budgets are presented to the Board of Trustees. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budgets are legally enacted through the passage of a Board Resolution. After the budgets are adopted, all amendments must be approved by the Board.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):

The General and Food Service Fund budgets were adopted and are shown in the basic financial statements at the functional level on a basis consistent with U.S. generally accepted accounting principles. Expenditures at this legally adopted level in excess of the amounts budgeted are a violation of the Budgetary Act. The budgets were maintained at the account level for control purposes.

The Academy does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Expenditures at these legally adopted levels in excess of the amounts budgeted are a violation of the Budgetary Act. For the year ended June 30, 2022, the only expenditure over the legally adopted budget was for capital outlay for $115,444 to record the present value of a building it leased in accordance with GASB Statement No. 87. This overage is offset by lease proceeds for the same amount.

NOTE 4 - DEPOSITS AND INVESTMENTS:

Custodial Credit Risk - Deposits -

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned. Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations with an office in Michigan.

At June 30, 2022, the carrying amount of the Academy's deposits was $1,330,404 and the bank balance was $1,389,605. Of the bank balance, $1,129,736 was covered by the Federal Depository Insurance Company, with the remaining balance of $259,869 unrestricted and uncollateralized. In addition, the Academy had $558 of petty cash.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Academy for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets, being depreciated -				
Furniture and equipment	$ 118,329	$ 126,375	$ 23,013	$ 221,691
Less: Accumulated depreciation	67,574	6,712	23,013	51,273
	50,755	119,663	-	170,418
Right-to-use Assets, being amortized -				
Building	-	115,444	-	115,444
Less: Accumulated amortization	-	38,481	-	38,481
	-	76,963	-	76,963
Net Capital Assets, being Depreciated/ Amortized	$ 50,755	$ 196,626	$ -	$ 247,381

Depreciation/amortization expense was $45,193 for the year ended June 30, 2022.

NOTE 6 - LONG-TERM DEBT/LEASE LIABILITY:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within One Year
Lease Payable	$ -	$ 115,444	$ 40,000	$ 75,444	$ 36,982

The Academy leases a building from St. Clair County RESA with an initial term of three (3) years, expiring June 30, 2024. The agreement requires annual payments of $40,000 on or before July 1, of each year, including an implied interest rate of 4%. The Academy made payments of $40,000 during the year ended June 30, 2022. As of June 30, 2022, the present value of the lease liability was $75,444. The value of the right-to-use asset as of the end of the current fiscal year was $115,444 and had accumulated amortization of $38,481.

Future minimum payments are as follows:

	Principal	Interest	Total
2023	$ 36,982	$ 3,018	$ 40,000
2024	38,462	1,538	40,000
	$ 75,444	$ 4,556	$ 80,000

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS:

Plan Description -

The Academy participates in Michigan Public School Employees' Retirement System (MPSERS), a state-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the Board's authority to promulgate or amend the provisions of MPSERS. The Board consists of twelve members - eleven appointed by the Governor plus the State Superintendent of Instruction, who serves as an ex-officio member.

The System’s pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System’s health plan provides all eligible retirees with the option of receiving health, prescription drug, dental, and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PS 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management, & Budget. The Department Director appoints the Office Director, with whom the general oversight of MPSERS resides. The State Treasurer serves as the investment officer and custodian. MPSERS issues a publicly available financial report that includes financial statements and required supplementary information in their Annual Comprehensive Financial Report. The report may be obtained online at www.michigan.gov/orsschools. MPSERS’ financial statements are prepared using the accrual basis of accounting.

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Benefits Provided -

Benefit provisions of the defined benefit (DB) pension plan (the "Plan") are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the DB Plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB Plan members.

A DB member who leaves Michigan public school employment may request a refund of his or her member contributions from the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which through 2012 was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of other postemployment benefits (OPEB), members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute, set at the maximum subsidy at 80% beginning January 1, 2013 and 90% for those who are Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of MPSERS who earned service credit in the 12 months ended September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012 a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stopped paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Member and Employer Contributions -

Under Public Act 300 of 1980, as amended, the Academy is required to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period. Employer contributions for fiscal 2022 ranged from 13.39% to 20.14%. In addition, the State contributes stabilization revenues to all school districts to use exclusively for retirement benefits, which ranged from 14.51% to 15.05% for the fiscal year. The Academy's contributions for July 1, 2021 to June 30, 2022 amounted to $180,767, of which $89,139 was district funded and $91,628 was State funded.

Depending on the Plan selected by the participant, member contributions range from 0.00% to 7.00% of wages.

The MPSERS Board also annually sets the employer contribution rate for OPEB benefits, which participatory employees are required to contribute. Employer contributions for fiscal 2022 ranged from 7.23% to 8.43%. The Academy's funded contributions for July 1, 2021 to June 30, 2022 amounted to $38,366.

Members electing the Personal Healthcare Fund will be automatically enrolled to provide a 2.00% employee contribution into their 457 account as of their transition date and create an obligation for the Academy to provide a 2.00% employer match into the employee's 403(b) account. For the year ended June 30, 2022, the Academy's contributions were $2,295.

Payable to the Plan -

At June 30, 2022, the Academy reported a payable of $17,882 to the Plan for pension benefits required for the remaining pays related to the year ended June 30, 2022 and State Section 147c revenues.

At June 30, 2022, the Academy reported a payable of $502 to the Plan for OPEB benefits required for the remaining payments related to the year ended June 30, 2022.

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Long-term Expected Return on Plan Assets -

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity Pools	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short-term Investment Pools	2.0	(1.3)
TOTAL	100.0 %	

* Long-term expected real rate of return is net of administrative expenses and 2.0% inflation.

Proportionate Share Net Pension Liability -

At June 30, 2022, the Academy reported net pension liability of $1,353,066 for its proportionate share of MPSERS' net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. The Academy's proportion of the net pension liability was determined by dividing the Academy's statutorily required contributions to the system during the measurement period by the percentage of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportionate share percent was .00571507 percent and .00557869 percent as of September 30, 2020.

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -

For the year ended June 30, 2022, the Academy recognized pension expense of $121,901. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 85,292	$ -
Net difference between projected and actual earnings on Plan investments	-	435,006
Changes in proportion and differences between Academy contributions and proportionate share of contributions	40,275	19,868
Difference between expected and actual experience	20,960	7,968
	146,527	462,842
Academy contributions subsequent to the measurement date	158,770	-
147c Pension revenue related to contributions subsequent to the measurement date	-	91,628
Total	$ 305,297	$ 554,470

Amounts reported as deferred outflows or inflows of resources related to pensions resulting from contributions made subsequent to the measurement date and the related State contributions will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	$(39,371)
2024	(68,583)
2025	(94,765)
2026	(113,596)
	$(316,315)

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Actuarial Valuations and Assumptions -

The total pension liability was determined by an actuarial valuation as of September 30, 2020 using updated procedures to roll forward the liability to September 30, 2021. The valuation was based on the most recent study of Plan experience covering the period of October 1, 2012 through September 30, 2017. Significant assumptions used in the latest valuation were:

Actuarial Cost Method	Entry Age, Normal
Investment Rate of Return	
- Basic, MIP and Pension Plus Plans	6.80%
- Pension Plus 2 Plan	6.00%
Projected Salary Increases	2.75%-11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments	3.00% Annual Non-Compounded for MIP Members
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Discount Rate -

A discount rate of 6.80% was used to measure the total pension liability (6.00% for the Pension Plus 2 Plan). This discount rate was based on the long-term expected rate of return on Plan investments of 6.80% (6.00% for the Pension Plus 2 Plan). The projection of cash flows used to determine this discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate -

The following presents the Academy's proportionate share of the net pension liability, calculated using a discount rate of 6.80% (6.00% for the Pension Plus 2 Plan), as well as what the reporting unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Rate	1% Increase
$ 1,934,518	$ 1,353,066	$ 871,005

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Proportionate Share of Net OPEB Liability -

At June 30, 2022, the Academy reported a liability of $87,836 for its proportionate share of the MPSERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. The Academy's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the Academy's proportionate share was .00575454 percent and .00570327 percent at September 30, 2020.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB -

For the year ended June 30, 2022, the Academy recognized OPEB credit of $46,440. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 73,427	$ 10,987
Difference between expected and actual experience	-	250,722
Net difference between projected and actual earnings on OPEB Plan investments	-	66,204
Changes in proportion and differences between Academy contributions and proportionate share of contributions	20,603	15,720
	94,030	343,633
Academy contributions subsequent to the measurement date	28,560	-
Total	$ 122,590	$ 343,633

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2023	$(68,081)
2024	(61,470)
2025	(53,661)
2026	(46,897)
2027	(17,235)
Thereafter	(2,259)
	$(249,603)

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Actuarial Valuations and Assumptions -

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020 using updated procedures to roll forward the liability to September 30, 2021. The valuation was based on the most recent study of Plan experience covering the period of October 1, 2012 through September 30, 2017. Significant assumptions used in the latest valuation were:

Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	2.75%
Investment Rate of Return	6.95%
Projected Salary Increases	2.75%-11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate	Pre-65: 7.75% year 1, graded to 3.50% year 15, 3.00% year 120; Post-65: 5.25% year 1, graded to 3.50% year 15, 3.00% year 120
Mortality	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Discount Rate -

A discount rate of 6.95% was used to measure the total OPEB liability. The discount rate was based on the long-term expected rate of return on OPEB Plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that OPEB Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current OPEB Plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS - (cont'd):

Sensitivity of the Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate -

The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the Academy's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Rate	1% Increase
$ 163,215	$ 87,836	$ 23,866

Sensitivity to the Academy's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate -

The following presents the Academy's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the Academy's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$ 21,379	$ 87,836	$ 162,609

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Academy has entered into a business and support services agreement with RESA to provide among other things curriculum and program support, clerical and data processing services, rent, etc. The following is a summary of the transactions and balances with RESA as of and for the year ended June 30, 2022:

Expenditures for:	
Legal Counsel	$ 13,500
Rent/Utilities/Maintenance	98,000
Business Service Fees	54,000
Instructional Consultant	9,000
Technology Support	54,000
Superintendent Support	2,250
Communication Services	6,750
Chief Academic Support	18,000
Personnel/HR Services	13,500
Food service	5,294
Due from RESA	821
Due to RESA	2,318

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE:

The Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases.* The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use of an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Academy's leasing. There was no effect on the beginning fund balance of the General Fund or beginning net positions of governmental activities since the lease commenced in fiscal 2021/22.

REQUIRED SUPPLEMENTARY INFORMATION

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
PENSION BENEFITS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PLAN FISCAL YEARS

For the year ended September 30,	Proportion of net pension liability	Proportionate share of net pension liability	Covered payroll	Proportionate share of net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension liability
2021	0.00571507%	$ 1,353,066	$ 524,482	257.98%	72.60%
2020	0.00557869%	$ 1,916,341	$ 508,456	376.89%	59.72%
2019	0.00552243%	$ 1,828,843	$ 474,504	385.42%	60.31%
2018	0.00569341%	$ 1,711,542	$ 484,582	353.20%	62.36%
2017	0.00582277%	$ 1,508,927	$ 469,276	321.54%	64.21%
2016	0.00638430%	$ 1,592,838	$ 528,192	301.56%	63.27%
2015	0.00674260%	$ 1,646,882	$ 562,996	292.52%	63.17%
2014	0.00601000%	$ 1,323,317	$ 509,894	259.53%	66.20%

* GASB Statement No. 68 was implemented in fiscal 2015. These schedules are being built prospectively. Ultimately, 10 years will be presented.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
PENSION BENEFITS

SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS
ACADEMY'S FISCAL YEARS

For the year ended June 30,	Statutorily required contributions	Contributions in relation to statutorily required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered employee payroll
2022	$ 180,767	$ 180,767	$ -	$ 480,932	37.59%
2021	$ 171,480	$ 171,480	$ -	$ 524,981	32.66%
2020	$ 141,992	$ 141,992	$ -	$ 493,881	28.75%
2019	$ 145,566	$ 145,566	$ -	$ 471,751	30.86%
2018	$ 143,432	$ 143,432	$ -	$ 489,627	29.29%
2017	$ 139,048	$ 139,048	$ -	$ 498,247	27.91%
2016	$ 155,569	$ 155,569	$ -	$ 559,903	27.78%
2015	$ 119,709	$ 119,709	$ -	$ 552,188	21.68%

* GASB Statement No. 68 was implemented in fiscal 2015. These schedules are being built prospectively. Ultimately, 10 years will be presented.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PLAN FISCAL YEARS

For the year ended September 30,	Proportion of net OPEB liability	Proportionate share of net OPEB liability	Covered payroll	Proportionate share of net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total OPEB liability
2021	0.00575454%	$ 87,836	$ 524,482	16.75%	87.33%
2020	0.00570327%	$ 305,539	$ 508,456	60.09%	59.44%
2019	0.00540521%	$ 387,972	$ 474,505	81.76%	48.46%
2018	0.00567327%	$ 450,965	$ 484,582	93.06%	42.95%
2017	0.00582277%	$ 515,988	$ 469,276	109.95%	36.39%

SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS
ACADEMY'S FISCAL YEARS

For the year ended June 30,	Statutorily required contributions	Contributions in relation to statutorily required contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered employee payroll
2022	$ 38,366	$ 38,366	$ -	$ 480,932	7.98%
2021	$ 42,412	$ 42,412	$ -	$ 524,981	8.08%
2020	$ 37,113	$ 37,113	$ -	$ 493,881	7.51%
2019	$ 37,113	$ 37,113	$ -	$ 471,751	7.87%
2018	$ 38,335	$ 38,335	$ -	$ 489,627	7.83%

* GASB Statement No. 75 was implemented in fiscal 2018. These schedules are being built prospectively. Ultimately 10 years will be presented.

INDEPENDENT AUDITOR'S 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 Trustees
Virtual Learning Academy of St. Clair County
Marysville, Michigan

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 and each major fund of the Virtual Learning Academy of St. Clair County (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 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Virtual Learning Academy of St. Clair County'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 instances 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.

UHY LLP

Port Huron, Michigan
October 18, 2022