

**VIRTUAL LEARNING ACADEMY
OF ST. CLAIR COUNTY
Marysville, Michigan**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

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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, 2023 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, 2023, 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.

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, 2022 financial statements, and we expressed unmodified opinions on those financial statements in our report dated October 18, 2022. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022 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 11, 2023 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.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Port Huron, Michigan
October 11, 2023

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY

Management's Discussion and Analysis

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, 2023. Please read in conjunction with the Academy's financial statements, which immediately follows 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, including budgetary comparison 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. We also provided budgetary comparison statements for each of the major funds.

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.

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

	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 1,802,254	\$ 1,654,429
Non-current assets	<u>268,435</u>	<u>247,381</u>
Total Assets	<u>2,070,689</u>	<u>1,901,810</u>
Deferred Outflows of Resources	<u>769,427</u>	<u>427,887</u>
Liabilities:		
Current liabilities	130,018	66,342
Noncurrent liabilities	<u>2,167,263</u>	<u>1,516,346</u>
Total liabilities	<u>2,297,281</u>	<u>1,582,688</u>
Deferred Inflows of Resources	<u>487,505</u>	<u>898,103</u>
Net Position (Deficit):		
Investment in capital assets	229,973	171,937
Restricted	574	476
Unrestricted	<u>(175,217)</u>	<u>(323,507)</u>
Total Net Position	<u>\$ 55,330</u>	<u>\$ (151,094)</u>

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 was \$55,330 at June 30, 2023, which represents the accumulated results of all past years' operations. Investment in capital assets of \$229,973 represents the original cost of the assets, less accumulated depreciation/amortization, and \$574 was restricted for food services, with the remaining \$175,217 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

	<u>2023</u>	<u>2022</u>
Revenues:		
Local sources	\$ 10,821	\$ 2,853
State sources	1,418,965	1,387,271
Federal sources	171,371	126,434
Interdistrict sources	<u>13,164</u>	<u>12,884</u>
Total Revenues	<u>1,614,321</u>	<u>1,529,442</u>
Expenditures:		
Instruction	472,320	400,336
Support services	874,452	718,337
Depreciation/Amortization expense	<u>61,125</u>	<u>45,193</u>
Total Expenses	<u>1,407,897</u>	<u>1,163,866</u>
Change in Net Position	<u>\$ 206,424</u>	<u>\$ 365,576</u>

The Academy experienced an increase in net position of \$206,424 for the year ended June 30, 2023. 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 (MPERS) increased 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, the General Fund reported an ending fund balance of \$1,671,662, an increase of \$84,051 over 2022. The increase is primarily due to increase of \$50,711 147(c)(2) MPERS one-time distribution from the State, along with keeping expenditures stable.

Of the fund balance, \$1,844 was nonspendable for prepaid expenditures, \$205,962 is assigned, and the remaining \$1,463,856 is unassigned.

GENERAL FUND 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 statement showing the Academy's original and final budget amounts compared to actual revenues and expenditures is provided as a basic financial statement. Significant changes to the original budget were as follows:

- The final amended budgeted revenue, including other financing sources, was higher than the original budget by \$155,606. The 31A At-Risk allocation increased by approximately \$25,878, a new Section 147(c)(2) one-time MPERS deposit of \$50,711 was made, and there was an increase for new lease proceeds of \$115,450. There was also a decrease of \$14,671 for IDEA flowthrough and a decrease of \$14,644 for ESSER funds.
- The final amended budgeted expenditures and transfers out were higher than the original budget by \$296,731. The overall increase is primarily due to the estimated \$115,450 of capital outlay and \$40,000 for lease expenditures under GASB Statement No. 87, *Leases*, a \$50,711 increase of the Section 147(c)(2) one-time deposit for pension expense, and a \$29,164 increase of 31A At-Risk expenditures for salary and benefits that was not reflected in the original budget.

Actual revenues and other financing sources were less than the final amended budget by \$390,194 as a result of federal and state revenues being less than anticipated by \$278,275 and note loan proceeds of \$115,450.

Actual expenditures were less than final amended by \$590,979. The difference was primarily due to the grant funds that were unspent as of June 30, 2023, along with a teaching position that the Academy did not fill until mid-year, and there was no new capital outlay of \$115,450 to record in the current year for the current building lease under GASB Statement No. 87, *Leases*.

CAPITAL ASSETS

At June 30, 2023, the Academy had \$229,953 invested in capital assets for its governmental activities (net of accumulated depreciation), representing an increase of \$59,535 over 2022. The increase is due to the Academy updating art classroom and lounge furniture, along with the installation of new carpeting. In addition, the Academy had \$38,428 of right-to-use assets (net of amortization) for the VLA Building, representing a decrease of \$38,481 over 2022 due to current-year amortization.

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

LONG-TERM DEBT

The Academy leases a building with a lease liability of \$38,462 at June 30, 2023 on a three-year lease and paid \$36,982 for the fiscal 2023 year.

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 2023-24 fiscal year, the economic outlook for the State of Michigan is strong. The 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 \$9,608, which is an increase of \$458.

In the 2023-24 school year, the student count is anticipated to remain stable. The Academy is projecting 135 students for the fall 2023 count. The State will use the traditional 90/10 blend to calculate FTE. Therefore, 90% of the 135 and 10% of the spring 2023 count will be used.

At the beginning of the school year, the revenue picture continues to stay strong. The State-approved budget included a per pupil funding is of \$9,608, which was the amount used in the Academy's projected 2023-24 budget. The Academy has some ESSER II allocation available to use during the 2023-24 school year. These funds need to be obligated by September 30, 2023. The Academy also has ARP ESSER funding available of \$183,129. These funds are to be spent by September 30, 2024 and are planned for the on-staff Social Worker's salary and benefits.

The expenditures for the 2023-24 school year are projected to increase. The Academy is looking at providing more hands-on art activities for the students and has hired a full-time staff member who will work 50% of their time as an art teacher and the other 50% as a curriculum support. An additional full-time paraprofessional is also on staff. 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 and additional staff hired, 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 2023-24 proposed budget, the anticipated fund balance projected is \$1,264,415 or 57.93% of annual expenditures. 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, 2023**

	General Fund	Food Service Fund	Total Governmental Funds	Adjustments Note 2	Governmental Activities
Assets:					
Cash and cash equivalents	\$ 1,404,873	\$ 1,306	\$ 1,406,179	\$ -	\$ 1,406,179
Due from other governmental units	393,340	891	394,231	-	394,231
Due from other funds	-	2,020	2,020	(2,020)	-
Prepaid expenditures/expenses	1,844	-	1,844	-	1,844
Right to use asset, being amortized (net of accumulated amortization)	-	-	-	38,482	38,482
Capital assets, being depreciated (net of accumulated depreciation)	-	-	-	229,953	229,953
Total Assets	<u>1,800,057</u>	<u>4,217</u>	<u>1,804,274</u>	<u>266,415</u>	<u>2,070,689</u>
Deferred Outflows of Resources:					
Related to pension plan	-	-	-	615,917	615,917
Related to OPEB plan	-	-	-	153,510	153,510
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>769,427</u>	<u>769,427</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,800,057</u>	<u>\$ 4,217</u>	<u>\$ 1,804,274</u>		
Liabilities:					
Accounts payable	\$ 1,946	\$ -	\$ 1,946	-	1,946
Accrued payroll and fringes	36,000	-	36,000	-	36,000
Due to other governmental units	13,506	3,643	17,149	-	17,149
Due to other funds	2,020	-	2,020	(2,020)	-
Unearned revenue	74,923	-	74,923	-	74,923
Non-current liabilities -					
Lease liability due within one year	-	-	-	38,462	38,462
Net pension liability	-	-	-	2,020,882	2,020,882
Net OPEB liability	-	-	-	107,919	107,919
Total Liabilities	<u>128,395</u>	<u>3,643</u>	<u>132,038</u>	<u>2,165,243</u>	<u>2,297,281</u>
Deferred Inflows of Resources:					
Related to pension plan	-	-	-	226,442	226,442
Related to OPEB plan	-	-	-	261,063	261,063
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>487,505</u>	<u>487,505</u>
Fund Balance:					
Nonspendable - Prepaid expenditures	1,844	-	1,844	(1,844)	-
Restricted - Food service	-	574	574	(574)	-
Assigned - 2023/24 Operations	205,962	-	205,962	(205,962)	-
Unassigned	1,463,856	-	1,463,856	(1,463,856)	-
Total Fund Balance	<u>1,671,662</u>	<u>574</u>	<u>1,672,236</u>	<u>(1,672,236)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,800,057</u>	<u>\$ 4,217</u>	<u>\$ 1,804,274</u>		
Net Position:					
Investment in capital assets, net of related debt				229,973	229,973
Restricted - Food service				574	574
Unrestricted (Deficit)				(175,217)	(175,217)
Total Net Position				<u>\$ 55,330</u>	<u>\$ 55,330</u>

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, 2023**

	General Fund	Food Service Fund	Total Governmental Funds	Adjustments Note 2	Governmental Activities
Revenues:					
Local sources	\$ 10,813	\$ 8	\$ 10,821	\$ -	\$ 10,821
State sources	1,465,102	20	1,465,122	(46,157)	1,418,965
Federal sources	161,037	10,334	171,371	-	171,371
Interdistrict sources	13,164	-	13,164	-	13,164
Total Revenues	<u>1,650,116</u>	<u>10,362</u>	<u>1,660,478</u>	<u>(46,157)</u>	<u>1,614,321</u>
Expenditures/Expenses:					
Instruction	571,426	-	571,426	(99,106)	472,320
Support services	951,639	13,264	964,903	(90,451)	874,452
Depreciation/amortization expense	-	-	-	61,125	61,125
Debt Service	40,000	-	40,000	(40,000)	-
Total Expenditures/Expenses	<u>1,563,065</u>	<u>13,264</u>	<u>1,576,329</u>	<u>(168,432)</u>	<u>1,407,897</u>
Revenue over (under) expenditures	<u>87,051</u>	<u>(2,902)</u>	<u>84,149</u>	<u>122,275</u>	<u>206,424</u>
Other Financing Sources (Uses) :					
Transfer In	-	3,000	3,000	(3,000)	-
Transfer Out	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>	<u>3,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance/Net Position	84,051	98	84,149	122,275	206,424
Fund Balance/Net Position at beginning of year	<u>1,587,611</u>	<u>476</u>	<u>1,588,087</u>	<u>(1,739,181)</u>	<u>(151,094)</u>
Fund Balance/Net Position at end of year	<u><u>\$ 1,671,662</u></u>	<u><u>\$ 574</u></u>	<u><u>\$ 1,672,236</u></u>	<u><u>\$(1,616,906)</u></u>	<u><u>\$ 55,330</u></u>

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, 2023
WITH ACTUAL FOR THE YEAR ENDED JUNE 30, 2022**

	2023			Variance With Final Budget Positive (Negative)	2022
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Local sources	\$ 2,750	\$ 8,500	\$ 10,813	\$ 2,313	\$ 2,853
State sources	1,492,421	1,539,954	1,465,102	(74,852)	1,404,250
Federal sources	389,533	364,460	161,037	(203,423)	121,140
Interdistrict sources	-	11,946	13,164	1,218	12,884
Total Revenues	<u>1,884,704</u>	<u>1,924,860</u>	<u>1,650,116</u>	<u>(274,744)</u>	<u>1,541,127</u>
Expenditures:					
Instruction -					
Basic programs	649,601	572,696	455,689	117,007	462,998
Added needs	167,118	196,289	115,737	80,552	122,302
Supporting services -					
Pupil	405,617	571,603	376,499	195,104	292,524
Instructional staff	104,476	104,970	98,332	6,638	89,554
General administration	30,095	31,095	30,493	602	28,074
School administration	128,577	134,073	131,728	2,345	120,813
Business	82,531	82,331	77,059	5,272	74,078
Transportation	50	1,000	423	577	-
Operation and maintenance	177,703	192,670	131,846	60,824	90,393
Central	111,545	111,867	105,259	6,608	95,349
Capital Outlay	-	115,450	-	115,450	115,444
Debt Service	-	40,000	40,000	-	40,000
Total Expenditures	<u>1,857,313</u>	<u>2,154,044</u>	<u>1,563,065</u>	<u>590,979</u>	<u>1,531,529</u>
Revenue over (under) expenditures	<u>27,391</u>	<u>(229,184)</u>	<u>87,051</u>	<u>316,235</u>	<u>9,598</u>
Other Financing Sources (Uses):					
Transfer Out	(3,500)	(3,500)	(3,000)	500	(2,728)
Lease Proceeds	-	115,450	-	(115,450)	115,444
Total Other Financing Sources (Uses)	<u>(3,500)</u>	<u>111,950</u>	<u>(3,000)</u>	<u>(114,950)</u>	<u>112,716</u>
Change in Fund Balance	23,891	(117,234)	84,051	201,285	122,314
Fund Balance at beginning of year	<u>1,587,611</u>	<u>1,587,611</u>	<u>1,587,611</u>	<u>-</u>	<u>1,465,297</u>
Fund Balance at end of year	<u>\$ 1,611,502</u>	<u>\$ 1,470,377</u>	<u>\$ 1,671,662</u>	<u>\$ 201,285</u>	<u>\$ 1,587,611</u>

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, 2023
WITH ACTUAL FOR THE YEAR ENDED JUNE 30, 2022**

	2023			Variance With Final Budget Positive (Negative)	2022
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Local sources	\$ 1	\$ 5	\$ 8	\$ 3	\$ -
State sources	25	25	20	(5)	20
Federal sources	3,034	10,950	10,334	(616)	5,294
Total Revenues	<u>3,060</u>	<u>10,980</u>	<u>10,362</u>	<u>(618)</u>	<u>5,314</u>
Expenditures:					
Supporting services -					
Other support services	<u>6,050</u>	<u>13,650</u>	<u>13,264</u>	<u>386</u>	<u>7,823</u>
Revenues under expenditures	(2,990)	(2,670)	(2,902)	(232)	(2,509)
Other Financing Sources:					
Transfer In	<u>3,500</u>	<u>3,500</u>	<u>3,000</u>	<u>(500)</u>	<u>2,728</u>
Change in Fund Balance	510	830	98	(732)	219
Fund Balance at beginning of year	<u>476</u>	<u>476</u>	<u>476</u>	<u>-</u>	<u>257</u>
Fund Balance at end of year	<u><u>\$ 986</u></u>	<u><u>\$ 1,306</u></u>	<u><u>\$ 574</u></u>	<u><u>\$(732)</u></u>	<u><u>\$ 476</u></u>

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

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 funds:

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

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.

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.

Leases - The Academy is a lessee for a noncancelable lease of the Virtual Learning Academy building. The Academy recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

At the commencement of a lease, the Academy initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases included how the Academy determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Academy uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Academy generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Academy is reasonably certain to exercise.

The Academy monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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). In the fund financial statements, the face amount of debt issued or lease proceeds are 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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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.

Upcoming Accounting Pronouncement - The Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, that updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025. The Academy is currently evaluating the implications of this pronouncement.

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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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	\$	1,672,236
<p>Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the General Fund.</p>		
Right-to-use asset		115,444
Capital assets		303,870
Accumulated depreciation/amortization	(150,879)
<p>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.</p>		
Deferred outflows of resources		769,427
Deferred inflows of resources	(487,505)
<p>Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the General Fund.</p>		
Lease liability	(38,462)
Net pension liability	(2,020,882)
Net OPEB liability	(107,919)
Net Position - Governmental Activities	\$	55,330

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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	\$	84,149
<p>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.</p>		
Capital outlay		82,179
Depreciation/Amortization	(61,125)
<p>Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the general fund statements</p>		
Principal payments on lease		36,982
Change in pension/OPEB contributions made subsequent to the pension OPEB/plan's measurement date.		62,025
Change in revenue in support of pension contributions made subsequent to the pension plan's measurement date.	(46,157)
<p>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.</p>		
Increase in net pension liability	(667,816)
Increase in net OPEB liability	(20,083)
Change in pension expense related to deferred items related to the pension and OPEB plans		736,270
Change in Net Position - Statement of Activities	\$	206,424

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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, the Academy's expenditures at legally adopted levels did not have any significant budget overages.

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, 2023, the carrying amount of the Academy's deposits was \$1,405,615 and the bank balance was \$1,406,950. Of the bank balance, \$1,286,147 was covered by the Federal Depository Insurance Company, with the remaining balance of \$120,803 unrestricted and uncollateralized. In addition, the Academy had \$564 of petty cash.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity of the Academy for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital Assets, being depreciated - Furniture and equipment	\$ 221,691	\$ 82,179	\$ -	\$ 303,870
Less: Accumulated depreciation	<u>51,273</u>	<u>22,644</u>	<u>-</u>	<u>73,917</u>
	<u>170,418</u>	<u>59,535</u>	<u>-</u>	<u>229,953</u>
Right-to-use Assets, being amortized - Building	115,444	-	-	115,444
Less: Accumulated amortization	<u>38,481</u>	<u>38,481</u>	<u>-</u>	<u>76,962</u>
	<u>76,963</u>	<u>(38,481)</u>	<u>-</u>	<u>38,482</u>
Net Capital Assets, being depreciated/ amortized	<u>\$ 247,381</u>	<u>\$ 21,054</u>	<u>\$ -</u>	<u>\$ 268,435</u>

Depreciation/amortization expense was \$61,125 for the year ended June 30, 2023.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LONG-TERM DEBT/LEASE LIABILITY:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within One Year
Lease Payable	\$ 75,444	\$ -	\$ 36,982	\$ 38,462	\$ 38,462

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 \$36,982 during the year ended June 30, 2023. As of June 30, 2023, the lease liability was \$38,462. 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 \$76,982. Interest expense was \$3,018 for the year ended June 30, 2023.

The future minimum payment is as follows:

	Principal	Interest	Total
2024	\$ 38,462	\$ 1,538	\$ 40,000

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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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. The requirements to retire with benefits range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. The System also provides disability and survivor benefits to DB Plan members.

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 403(b) 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 403(b) account.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021 valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

For retirement, employer contributions for fiscal 2023 ranged from 13.73% to 20.16%. The Academy's required and actual pension contributions to the plan for the year ended June 30, 2023 were \$180,660 and \$231,371, respectively. The Academy's required and actual pension contributions include an allocation of \$137,784 in revenue received from the State of Michigan and paid to the Plan for the unfunded actuarial accrued liability stabilization rate for the year ended June 30, 2023. Actual contributions also included a one-time distribution received from the State of Michigan of \$50,711.

For certain Plan members, a 4.00% employer contribution is required, and for certain members, a 3.00% employer match is provided to the defined contribution pension plan. The Academy contributed \$8,370 to the defined contribution plan.

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 2023 ranged from 7.21% to 8.09%. The Academy's funded contributions for July 1, 2022 to June 30, 2023 amounted to \$43,355.

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, 2023, the Academy's contributions were \$3,582.

Payable to the Plan -

At June 30, 2023, the Academy reported a payable of \$26,627 to the Plan for pension benefits required for the remaining pays related to the year ended June 30, 2023 and State Section 147c revenues.

At June 30, 2023, the Academy reported a payable of \$652 to the Plan for OPEB benefits required for the remaining payments related to the year ended June 30, 2023.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 weighing 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 as of September 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.1 %
Private Equity Pools	16.0	8.7
International Equity Pools	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Oppportunistic Pools	10.0	5.8
Short-term Investment Pools	2.0	(0.5)
TOTAL	100.0 %	

* Long-term expected real rate of return is net of administrative expenses and 2.2% inflation.

Proportionate Share Net Pension Liability -

At June 30, 2023, the Academy reported net pension liability of \$2,020,882 for its proportionate share of MPSERS' net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021. 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, 2022, the Academy's proportionate share percent was .00537344 percent and .00571507 percent as of September 30, 2021.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, the Academy recognized pension expense of \$165,901. At June 30, 2023, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 347,260	\$ -
Net difference between projected and actual earnings on Plan investments	4,739	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	27,600	84,139
Difference between expected and actual experience	<u>20,216</u>	<u>4,518</u>
	399,815	88,657
Academy contributions subsequent to the measurement date	216,102	-
147c Pension revenue related to contributions subsequent to the measurement date	<u>-</u>	<u>137,785</u>
Total	<u>\$ 615,917</u>	<u>\$ 226,442</u>

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2024	\$ 90,379
2025	65,952
2026	47,846
2027	<u>106,981</u>
	<u>\$ 311,158</u>

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2021 using updated procedures to roll forward the liability to September 30, 2022. 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	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 6.00% was used to measure the total pension liability. This discount rate was based on the long-term expected rate of return on Plan investments of 6.00%. 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 6.00%, 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:

<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
\$ 2,666,813	\$ 2,020,882	\$ 1,488,605

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Proportionate Share of Net OPEB Liability -

At June 30, 2023, the Academy reported a liability of \$107,919 for its proportionate share of the MPSERS' net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2021. 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, 2022, the Academy's proportionate share was .00509519 percent and .00575454 percent at September 30, 2021.

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

For the year ended June 30, 2023, the Academy recognized OPEB credit of \$54,595. At June 30, 2023, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 96,192	\$ 7,832
Difference between expected and actual experience	-	211,373
Net difference between projected and actual earnings on OPEB Plan investments	8,435	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>15,630</u>	<u>41,858</u>
	120,257	261,063
Academy contributions subsequent to the measurement date	<u>33,253</u>	<u>-</u>
Total	<u>\$ 153,510</u>	<u>\$ 261,063</u>

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2024	\$(47,822)
2025	(40,587)
2026	(34,258)
2027	(8,478)
2028	(8,252)
Thereafter	<u>(1,409)</u>
	<u>\$(140,806)</u>

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2021 using updated procedures to roll forward the liability to September 30, 2022. 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	6.00%
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 6.00% 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 6.00%. 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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 6.00%, 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:

<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
\$ <u>181,024</u>	\$ <u>107,919</u>	\$ <u>46,356</u>

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:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ <u>45,191</u>	\$ <u>107,919</u>	\$ <u>178,333</u>

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, 2023:

Expenditures for:	
Custodial Services	\$ 24,397
Legal Counsel	14,310
Rent/Utilities/Maintenance	98,000
Business Service Fees	57,240
Instructional Consultant	9,540
Technology Support	57,240
Superintendent Support	2,385
Communication Services	7,155
Chief Academic Support	19,080
Personnel/HR Services	14,310
Food Service	13,114
Data Processing	1,870
Due from RESA	4,625
Due to RESA	1,262

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**

<u>For the year ended September 30,</u>	<u>Proportion of net pension liability</u>	<u>Proportionate share of net pension liability</u>	<u>Covered payroll</u>	<u>Proportionate share of net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total pension liability</u>
2022	0.00537344%	\$ 2,020,882	\$ 491,575	411.10%	60.77%
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 excess (deficiency)	Covered Payroll	Contributions as a percentage of covered employee payroll
2023	\$ 180,660	\$ 231,371	\$ 50,711	\$ 555,112	41.68%
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**

<u>For the year ended September 30,</u>	<u>Proportion of net OPEB liability</u>	<u>Proportionate share of net OPEB liability</u>	<u>Covered payroll</u>	<u>Proportionate share of net OPEB liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total OPEB liability</u>
2022	0.00509519%	\$ 107,919	\$ 491,575	21.95%	83.09%
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**

<u>For the year ended June 30,</u>	<u>Statutorily required contributions</u>	<u>Contributions in relation to statutorily required contributions</u>	<u>Contribution excess (deficiency)</u>	<u>Covered Payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2023	\$ 43,355	\$ 43,355	\$ -	\$ 555,112	7.81%
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, 2023 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 11, 2023.

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) as a basis for designing 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 financial statements. 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.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Port Huron, Michigan
October 11, 2023

AUDIT COMMUNICATION LETTER

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

We have audited the financial statements of the governmental activities and each major fund of the Virtual Learning Academy of St. Clair County (the “Academy”) for the year ended June 30, 2023 and have issued our report thereon dated October 11, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting standards were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimates affecting the governmental activities financial statements were:

Management’s estimate for depreciation, which is based on historical data and estimated useful lives.

Management’s estimates for their portion of Michigan Public School Employees’ Retirement System’s net pension and other postemployment benefit liabilities, which are based on the pension and other postemployment benefit plan’s audits and actuarial reports.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is:

The disclosure of the Academy's net pension and OPEB liabilities and the related deferred outflows of resources and deferred inflows of resources as reported in Note 7 to the financial statements. These liabilities are the Academy's proportionate shares of the MPSERS' pension plan, which may vary considerably as payroll and the chosen pension plan options change over all the school districts within the pension plan.

Difficulties Encountered in Performing the Audit

We encountered no 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. We did not identify any known or likely misstatements.

Assistance with GASB Statement No. 34 Presentation

As a result of our assistance with GASB Statement No. 34 presentation, we proposed entries to the June 30, 2023 account balances to reflect the difference between the governmental fund and the district-wide financial statements. These entries are described on pages 15-16 in the notes to the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements 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 11, 2023.

Management Consultations 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 consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the 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*, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matter

We applied certain limited procedures to management's discussion and analysis and the pension system and other postemployment benefit schedules, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Virtual Learning Academy of St. Clair County Board members.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Port Huron, Michigan
October 11, 2023