

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

ANNUAL FINANCIAL REPORT

For the year ended June 30, 2024

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
June 30, 2024

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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, 2024 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, 2024, 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.

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

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

To the Board of Trustees
Virtual Learning Academy of St. Clair County
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024 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 8, 2024

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, 2024. 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>2024</u>	<u>2023</u>
Assets -		
Current and other assets	\$ 1,910,080	\$ 1,802,254
Non-current assets	196,940	268,435
Net OPEB asset	<u>35,334</u>	<u>-</u>
Total assets	<u>2,142,354</u>	<u>2,070,689</u>
Deferred outflows of resources	<u>782,761</u>	<u>769,427</u>
Liabilities -		
Current liabilities	126,823	130,018
Non-current liabilities	<u>1,809,622</u>	<u>2,167,263</u>
Total liabilities	<u>1,936,445</u>	<u>2,297,281</u>
Deferred inflows of resources	<u>678,257</u>	<u>487,505</u>
Net position (deficit) -		
Investment in capital assets	196,940	229,973
Restricted	574	574
Unrestricted	<u>112,899</u>	<u>(175,217)</u>
Total net position	<u>\$ 310,413</u>	<u>\$ 55,330</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 \$310,413 at June 30, 2024, which represents the accumulated results of all past years' operations. Investment in capital assets of \$196,940 represents the original cost of the assets, less accumulated depreciation/amortization, and \$574 was restricted for food services, with the remaining \$112,899 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>2024</u>	<u>2023</u>
Revenues -		
Local sources	\$ 23,694	\$ 10,821
State sources	1,703,616	1,418,965
Federal sources	259,754	171,371
Interdistrict sources	<u>16,115</u>	<u>13,164</u>
Total revenues	<u>2,003,179</u>	<u>1,614,321</u>
Expenditures -		
Instruction	614,006	472,320
Support services	1,042,239	874,452
Depreciation/amortization expense	65,595	61,125
Debt service	1,538	-
Loss on disposal	<u>24,718</u>	<u>-</u>
Total expenses	<u>1,748,096</u>	<u>1,407,897</u>
Change in net position	<u>\$ 255,083</u>	<u>\$ 206,424</u>

The Academy experienced an increase in net position of \$255,083 for the year ended June 30, 2024. The increase in net position differs from the change in fund balance. A reconciliation appears on page 19. 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 \$1,781,457, an increase of \$109,795 over 2023 or approximately 6% of annual expenditures.

Of the fund balance, \$915,252 is assigned for 2024/25 operations and the remaining \$866,205 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 was higher than the original budget by \$206,697. State sources were increased by \$163,621 since the State budget was not finalized at the time the preliminary budget was presented to the Board of Education. The final revision reflects categorical increases due to the signed 2023/2024 State School Aid Budget per pupil increase, increase in At Risk, and Section 147 funding.
- The final amended budgeted expenditures and transfers out were higher than the original budget by \$252,779. Capital outlay was increased by \$229,550 in anticipation of the Blue Water Community Action (BWCA) lease agreement requiring a Governmental Accounting Standards Board (GASB) Statement No. 87 entry. However, the lease did not start in 2023/2024. In connection, lease proceeds were increased by \$160,550. The additional \$60,000 increase in capital outlay was for the work to be completed by French & Associates regarding architectural services for the move to the BWCA location.

Actual revenues and other financing sources were less than the final amended budget by \$97,771 as a result of federal and state revenues being less than anticipated.

Actual expenditures were less than final amended by \$574,540, primarily as a result of the lease not being finalized in June 2024. As a result, there was no GASB Statement No. 87 entry necessary. In addition, only a small portion of the architectural services were capitalized at June 30, 2024.

CAPITAL ASSETS

At June 30, 2024, the Academy had \$196,940 invested in capital assets for its governmental activities (net of accumulated depreciation), representing a decrease of \$71,495 over 2023. The decrease is a result of normal depreciation/amortization of \$65,595, loss on disposal of leasehold improvements of \$24,718, and capital additions of \$18,818. The additions include equipment of \$5,724 and construction in progress of \$13,094 for architect fees for the design of the new building lease.

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

LONG-TERM DEBT

As of June 30, 2023, the Academy leased a building through June 30, 2024. During fiscal 2024, the lease liability was paid off in the amount of \$38,462.

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 2024/2025 fiscal year, the economic outlook for the State of Michigan remains stable. There was a per pupil increase proposed by both Legislators and the Governor for 2024/2025. At the time of the completion of the Virtual Learning Academy's budget the State had not approved their budget, therefore, the Academy's budget maintained the 2023/2024 per pupil allocation of \$9,608, with no increase. In the 2024-25 school year, the student count is anticipated to remain stable. The Academy is projecting 135 students for the fall 2024 count.

The approved State Aid budget had several substantial changes. The per pupil allocation for 2024/2025 will have no increase. It will remain at the 2023/2024 rate of \$9,608, which is what was budgeted. In lieu of a per pupil foundation increase, the State appropriated funds to a MPERS offset categorical that effectively reduces the UAAL cap from 20.96% to 15.21% in FY 2024-2025. The 2024/2025 State School Aid budget also included a new categorical to reimburse contributing members for the 3% contributions to retiree healthcare. State legislation still also requires that applicable members continue to contribute the 3% for retiree healthcare for fiscal year 2024-2025. The Virtual Learning Academy is awaiting guidance from MDE and ORS regarding the new funding.

The expenditures for the 2024/2025 school year are projected to increase significantly due to the construction/renovation costs that will take place to prepare the newly leased building from Blue Water Community Action that will house the Virtual Learning Academy upon completion. The initial budgeted amount for the construction/renovation was \$1,000,000. Lease payments will be \$4,950 per month.

At the time of the 2024/2025 proposed budget, the anticipated fund balance projected was \$664,916, or 23.86% 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, 2024

	General Fund	Food Service Fund	Total Governmental Funds	Adjustments Note 2	Governmental Activities
ASSETS					
Cash and cash equivalents	\$ 1,485,952	\$ 523	\$ 1,486,475	\$ -	\$ 1,486,475
Due from other governmental units	422,382	1,223	423,605	-	423,605
Due from other funds	-	5,591	5,591	(5,591)	-
Net OPEB asset	-	-	-	35,334	35,334
Capital assets, net of accumulated depreciation -					
Assets not being depreciated	-	-	-	13,094	13,094
Assets being depreciated	-	-	-	183,846	183,846
Total assets	1,908,334	7,337	1,915,671	226,683	2,142,354
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension plan	-	-	-	606,252	606,252
Related to OPEB plan	-	-	-	176,509	176,509
Total deferred outflows of resources	-	-	-	782,761	782,761
Total assets and deferred outflows of resources	\$ 1,908,334	\$ 7,337	\$ 1,915,671		
LIABILITIES					
Accounts payable	\$ 16,078	\$ -	\$ 16,078	-	16,078
Accrued payroll and fringes	38,301	-	38,301	-	38,301
Due to other governmental units	6,029	5,537	11,566	-	11,566
Due to other funds	5,591	-	5,591	(5,591)	-
Unearned revenue	60,878	-	60,878	-	60,878
Non-current liabilities - net pension liability	-	-	-	1,809,622	1,809,622
Total liabilities	126,877	5,537	132,414	1,804,031	1,936,445
DEFERRED INFLOWS OF RESOURCES					
Related to pension plan	-	-	-	369,717	369,717
Related to OPEB plan	-	-	-	308,540	308,540
Total deferred inflows of resources	-	-	-	678,257	678,257
FUND BALANCE					
Restricted - food service	-	1,800	1,800	(1,800)	-
Assigned - 2024/25 operations	915,252	-	915,252	(915,252)	-
Unassigned	866,205	-	866,205	(866,205)	-
Total fund balance	1,781,457	1,800	1,783,257	(1,783,257)	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,908,334	\$ 7,337	\$ 1,915,671		
NET POSITION					
Investment in capital assets				196,940	196,940
Restricted - food service				574	574
Unrestricted				112,899	112,899
Total net position				\$ 310,413	\$ 310,413

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, 2024

	General Fund	Food Service Fund	Total Governmental Funds	Adjustments Note 2	Governmental Activities
REVENUES					
Local sources	\$ 23,618	\$ 76	\$ 23,694	\$ -	\$ 23,694
State sources	1,689,368	20	1,689,388	14,228	1,703,616
Federal sources	240,967	18,787	259,754	-	259,754
Interdistrict sources	16,115	-	16,115	-	16,115
Total revenues	<u>1,970,068</u>	<u>18,883</u>	<u>1,988,951</u>	<u>14,228</u>	<u>2,003,179</u>
EXPENDITURES/EXPENSES					
Instruction	688,363	-	688,363	(74,357)	614,006
Support services	1,111,336	21,137	1,132,473	(90,234)	1,042,239
Depreciation/amortization expense	-	-	-	65,595	65,595
Capital outlay	17,094	-	17,094	(17,094)	-
Debt service	40,000	-	40,000	(38,462)	1,538
Loss on disposal	-	-	-	24,718	24,718
Total expenditures/expenses	<u>1,856,793</u>	<u>21,137</u>	<u>1,877,930</u>	<u>(129,834)</u>	<u>1,748,096</u>
Revenue over (under) expenditures	<u>113,275</u>	<u>(2,254)</u>	<u>111,021</u>	<u>144,062</u>	<u>255,083</u>
OTHER FINANCING SOURCES (USES)					
Transfer in	-	3,480	3,480	(3,480)	-
Transfer out	(3,480)	-	(3,480)	3,480	-
Total other financing sources (uses)	<u>(3,480)</u>	<u>3,480</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance/net position	109,795	1,226	111,021	144,062	255,083
Fund balance/net position at beginning of year	<u>1,671,662</u>	<u>574</u>	<u>1,672,236</u>	<u>(1,616,906)</u>	<u>55,330</u>
Fund balance/net position at end of year	<u>\$ 1,781,457</u>	<u>\$ 1,800</u>	<u>\$ 1,783,257</u>	<u>\$ (1,472,844)</u>	<u>\$ 310,413</u>

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, 2024
With actual for the year ended June 30, 2023

	2024			Variance With Final Budget Positive (Negative)	2023
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Local sources	\$ 8,500	\$ 23,000	\$ 23,618	\$ 618	\$ 10,813
State sources	1,576,529	1,740,150	1,689,368	(50,782)	1,465,102
Federal sources	276,113	291,493	240,967	(50,526)	161,037
Interdistrict sources	-	13,196	16,115	2,919	13,164
Total revenues	<u>1,861,142</u>	<u>2,067,839</u>	<u>1,970,068</u>	<u>(97,771)</u>	<u>1,650,116</u>
EXPENDITURES					
Instruction -					
Basic programs	555,584	556,675	490,882	65,793	455,689
Added needs	232,098	256,397	197,481	58,916	115,737
Supporting services -					
Pupil	515,453	511,875	464,114	47,761	376,499
Instructional staff	179,222	178,257	172,831	5,426	98,332
General administration	31,739	31,814	31,273	541	30,493
School administration	135,394	135,384	132,536	2,848	131,728
Business	84,097	83,347	78,880	4,467	77,059
Transportation	1,000	1,000	618	382	423
Operation and maintenance	166,746	168,246	111,413	56,833	131,846
Central	114,464	115,531	112,000	3,531	105,259
Community services	7,807	7,807	7,671	136	-
Capital outlay	115,450	345,000	17,094	327,906	-
Debt service	40,000	40,000	40,000	-	40,000
Total expenditures	<u>2,179,054</u>	<u>2,431,333</u>	<u>1,856,793</u>	<u>574,540</u>	<u>1,563,065</u>
Revenue over (under) expenditures	<u>(317,912)</u>	<u>(363,494)</u>	<u>113,275</u>	<u>476,769</u>	<u>87,051</u>
OTHER FINANCING SOURCES (USES)					
Transfer out	(3,500)	(4,000)	(3,480)	520	(3,000)
Lease proceeds	115,450	276,000	-	(276,000)	-
Total other financing sources (uses)	<u>111,950</u>	<u>272,000</u>	<u>(3,480)</u>	<u>(275,480)</u>	<u>(3,000)</u>
Change in fund balance	(205,962)	(91,494)	109,795	201,289	84,051
Fund balance at beginning of year	<u>1,671,662</u>	<u>1,671,662</u>	<u>1,671,662</u>	<u>-</u>	<u>1,549,348</u>
Fund balance at end of year	<u>\$ 1,465,700</u>	<u>\$ 1,580,168</u>	<u>\$ 1,781,457</u>	<u>\$ 201,289</u>	<u>\$ 1,633,399</u>

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, 2024
With actual for the year ended June 30, 2023

	2024			Variance with Final Budget Positive (Negative)	2023
	Original Budget	Final Budget	Actual		Actual
REVENUES					
Local sources	\$ 5	\$ 5	\$ 76	\$ 71	\$ 8
State sources	25	25	20	(5)	20
Federal sources	11,130	18,875	18,787	(88)	10,334
Total revenues	11,160	18,905	18,883	(22)	10,362
EXPENDITURES					
Supporting services - Other support services	13,830	21,575	21,137	438	13,264
Revenues under expenditures	(2,670)	(2,670)	(2,254)	416	(2,902)
OTHER FINANCING SOURCES					
Transfer in	3,500	4,000	3,480	(520)	3,000
Change in fund balance	830	1,330	1,226	(104)	98
Fund balance at beginning of year	574	574	574	-	476
Fund balance at end of year	<u>\$ 1,404</u>	<u>\$ 1,904</u>	<u>\$ 1,800</u>	<u>\$ (104)</u>	<u>\$ 574</u>

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 ended 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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (assets). 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 (assets). 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, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming Accounting Pronouncements - The Governmental Accounting Standards Board (GASB) issued the following statements that could have an impact on the Academy's financial statements when adopted. Management is currently evaluating the implications of each of the pronouncements.

In June 2022, 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 requires that liabilities or compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement is effective for the Academy's fiscal year ending June 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the reporting unit report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, it requires a government to assess whether an event or events associated with a concentration of constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for the Academy's fiscal year ending June 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement is effective for the Academy's fiscal year ending June 30, 2026.

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, 2024

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 10):

Fund balance - governmental funds	\$ 1,783,257
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the General Fund.

Capital assets	291,791
Accumulated depreciation/amortization	(94,851)

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	782,761
Deferred inflows of resources	(678,257)

Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the governmental funds.

Net pension liability	(1,809,622)
Net OPEB asset	<u>35,334</u>

Net position - governmental activities	<u><u>\$ 310,413</u></u>
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VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2 - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of differences between the statement of revenues, expenditures, and changes in fund balance and the district-wide statement of activities (Page 11):

Change in fund balance - governmental funds	\$ 111,021
<p>The governmental funds report 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	18,818
Depreciation/amortization	(65,595)
Net book value of assets sold/disposed	(24,718)
<p>Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the governmental fund statements.</p>	
Principal payments on lease	38,462
Change in pension/OPEB contributions made subsequent to the pension/OPEB plan's measurement date	32,295
Change in revenue in support of pension contributions made subsequent to the pension plan's measurement date	14,228
<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 governmental funds.</p>	
Decrease in net pension liability	211,260
Decrease in net OPEB liability	143,253
Change in pension/OPEB expense related to deferred items related to the pension/OPEB plans	(223,941)
Change in net position - statement of activities	<u>\$ 255,083</u>

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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.

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, 2024, 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, 2024, the carrying amount of the Academy's deposits was \$1,486,025 and the bank balance was \$1,490,321. Of the bank balance, \$1,248,704 was covered by the Federal Depository Insurance Company, with the remaining balance of \$241,617 unrestricted and uncollateralized. In addition, the Academy had \$450 of petty cash.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Academy for the year ended June 30, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets, not being depreciated -				
Construction in progress	\$ -	\$ 13,094	\$ -	\$ 13,094
Capital assets, being depreciated -				
Furniture and equipment	303,870	5,724	30,897	278,697
Less - accumulated depreciation	73,917	27,113	6,179	94,851
	<u>229,953</u>	<u>(21,389)</u>	<u>24,718</u>	<u>183,846</u>
Right-to-use assets, being amortized -				
Building	115,444	-	115,444	-
Less - accumulated amortization	76,962	38,482	115,444	-
	<u>38,482</u>	<u>(38,482)</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated/ amortized	<u>268,435</u>	<u>(59,871)</u>	<u>24,718</u>	<u>183,846</u>
Total capital assets	<u>\$ 268,435</u>	<u>\$ (46,777)</u>	<u>\$ 24,718</u>	<u>\$ 196,940</u>

Depreciation/amortization expense was \$65,595 for the year ended June 30, 2024.

Construction/Purchase Commitment

The Academy has committed the following contract at June 30, 2024 (This commitment does not include any change orders made after June 30, 2024.):

	Contract Amount	Payments through 6/30/2024	Accounts Payable	Remaining Balance 6/30/2024
Remodeling of lease space - Architectural and engineering	\$ 58,225	\$ 2,649	\$ 10,445	\$ 45,131

NOTE 6 - LONG-TERM DEBT/LEASE LIABILITY

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within One Year
Lease payable	\$ 38,462	\$ -	\$ 38,462	\$ -	\$ -

The Academy leased 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 from the General Fund on or before July 1, of each year, including an implied interest rate of 4%. The Academy made payments of \$38,462 during the year ended June 30, 2024. As of June 30, 2024, the lease liability was \$0. Interest expense was \$1,538 for the year ended June 30, 2024.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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 PA 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.

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 System also provides disability and survivor benefits to DB Plan members.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

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.

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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

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 16-year period beginning October 1, 2022 and ending September 30, 2038.

For retirement, employer contributions for fiscal 2024 ranged from 13.75% to 23.03%. The Academy's required and actual pension contributions to the plan for the year ended June 30, 2023 were \$201,510. The Academy's required and actual pension contributions include an allocation of \$87,074 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, 2024.

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

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 \$12,229 to the defined contribution plan.

The MPSERS Board also annually sets the employer contribution rate for OPEB benefits, which participatory employees are required to contribute. Employer contributions for fiscal 2024 ranged from 7.06% to 8.31%. The Academy's funded contributions for July 1, 2023 to June 30, 2024 amounted to \$48,656.

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, 2024, the Academy's contributions were \$4,856.

Payable to the Plan

At June 30, 2024, the Academy reported a payable of \$22,475 to the Plan for pension benefits required for the remaining pays related to the year ended June 30, 2024 and State Section 147c revenues.

At June 30, 2024, the Academy reported a payable of \$0 to the Plan for OPEB benefits required for the remaining payments related to the year ended June 30, 2024.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.00 %	5.80 %
Private equity pools	16.00	9.60
International equity pools	15.00	6.80
Fixed income pools	13.00	1.30
Real estate and infrastructure pools	10.00	6.40
Absolute return pools	9.00	4.80
Real return/opportunistic pools	10.00	7.30
Short-term investment pools	2.00	0.30
Total	100.00 %	

* Long-term expected real rate of return is net of administrative expenses and 2.70% inflation.

Proportionate Share Net Pension Liability

At June 30, 2024, the Academy reported net pension liability of \$1,809,622 for its proportionate share of MPSERS' net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2022. 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, 2023, the Academy's proportionate share percent was .000559111 percent and .00537344 percent as of September 30, 2022.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2024, the Academy recognized pension credit of \$44,092. At June 30, 2024, 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	\$ 245,212	\$ 141,384
Net difference between projected and actual earnings on Plan investments	-	37,031
Changes in proportion and differences between Academy contributions and proportionate share of contributions	66,812	64,973
Difference between expected and actual experience	<u>57,124</u>	<u>2,772</u>
	369,148	246,160
Academy contributions subsequent to the measurement date	237,104	-
147c pension revenue related to contributions subsequent to the measurement date	<u>-</u>	<u>123,557</u>
Total	<u><u>\$ 606,252</u></u>	<u><u>\$ 369,717</u></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, 2025. 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>	
2025	\$ 39,930
2026	21,362
2027	82,481
2028	<u>(20,785)</u>
	<u><u>\$ 122,988</u></u>

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Valuations and Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2022 using updated procedures to roll forward the liability to September 30, 2023. 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%, net of investment expenses
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	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. For retirees, PubT-2010 Male and Female Mortality Tables, scaled 116% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.

The mortality tables and improvements changed from RP-2014 tables with scale MP-2017 to PubT-2010 tables with MP-2021 projected scales.

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.

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

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>
Net pension liability	<u>\$ 2,444,795</u>	<u>\$ 1,809,622</u>	<u>\$ 1,280,819</u>

Proportionate Share of Net OPEB Asset

At June 30, 2024, the Academy reported an asset of \$35,334 for its proportionate share of the MPSERS' net OPEB asset. The net OPEB asset was measured as of September 30, 2023 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2022. The Academy's proportion of the net OPEB asset 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, 2023, the Academy's proportionate share was .00624600 percent and .00509519 percent at September 30, 2022.

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

For the year ended June 30, 2024, the Academy recognized OPEB credit of \$118,775. At June 30, 2024, 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	\$ 78,659	\$ 9,472
Difference between expected and actual experience	-	266,998
Net difference between projected and actual earnings on OPEB Plan investments	108	-
Changes in proportion and differences between Academy contributions and proportionate share of contributions	<u>53,196</u>	<u>32,070</u>
	131,963	308,540
Academy contributions subsequent to the measurement date	<u>44,546</u>	<u>-</u>
Total	<u>\$ 176,509</u>	<u>\$ 308,540</u>

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

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 asset in the year ending June 30, 2025. 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>	
2025	\$ (61,633)
2026	(54,545)
2027	(21,988)
2028	(21,576)
2029	(11,625)
Thereafter	<u>(5,210)</u>
	<u>\$ (176,577)</u>

Actuarial Valuations and Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2022 using updated procedures to roll forward the liability to September 30, 2023. 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% net of investment expenses
Projected salary increases	2.75%-11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	Pre-65: 7.50% year 1, graded to 3.50% year 15; Post-65: 6.25% year 1, graded to 3.50% year 15

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

Mortality	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. For retirees, PubT-2010 Male and Female Retiree Mortality Tables, scaled 116% for males and females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
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.

Healthcare cost trend rates changed from 7.75% in year 1 to 7.50% for pre-65 members and from 5.25% in year 1 to 6.25% for post-65 members. The Mortality Tables changed as well from RP-2014 to PubT-2010 tables and mortality improvements changed from MP-2017 to MP-2021.

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, 2024

NOTE 7 - PENSION PLANS AND POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Academy’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Academy’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 6.00%, as well as what the Academy’s proportionate share of the net OPEB liability (asset) 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>
Net OPEB liability (asset)	<u>\$ 36,630</u>	<u>\$ (35,334)</u>	<u>\$ (97,179)</u>

Sensitivity to the Academy’s Proportionate Share of the Net OPEB Liability (Asset) to Healthcare Cost Trend Rate

The following presents the Academy’s proportionate share of the net OPEB liability (asset) calculated using assumed trend rates, as well as what the Academy’s proportionate share of net OPEB liability (asset) 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>
Net OPEB liability (asset)	<u>\$ (97,334)</u>	<u>\$ (35,334)</u>	<u>\$ 31,771</u>

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
Marysville, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024:

Expenditures for:		
Custodial services	\$	37,962
Legal counsel		14,739
Rent/utilities/maintenance		90,000
Business service fees		58,957
Instructional consultant		9,826
Technology support		58,957
Superintendent support		2,457
Communication services		7,370
Chief academic support		19,652
Personnel/HR services		14,739
Food service		18,787
Data processing		1,988
Due to RESA		11,566

REQUIRED SUPPLEMENTARY INFORMATION

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
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>
2023	0.00559111%	\$ 1,809,622	\$ 624,051	289.98%	65.91%
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%

VIRTUAL LEARNING ACADEMY OF ST. CLAIR COUNTY
PENSION BENEFITS
SCHEDULE OF ACADEMY PENSION 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>
2024	\$ 201,510	\$ 201,510	\$ -	\$ 767,467	26.26%
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. 75 was implemented in fiscal 2018. 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 (ASSET)

Plan fiscal years

<u>For the year ended September 30,</u>	<u>Proportion of net OPEB liability (asset)</u>	<u>Proportionate share of net OPEB liability (asset)</u>	<u>Covered payroll</u>	<u>Proportionate share of net OPEB liability (asset) as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total OPEB liability (asset)</u>
2023	0.00624600%	\$ (35,334)	\$ 624,051	-5.66%	105.04%
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%

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>
2024	\$ 48,656	\$ 48,656	\$ -	\$ 767,467	6.34%
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%

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, 2024, the respective changes in financial position and the budgetary comparison information for the General Fund and Food Service Fund for the year then ended, 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 8, 2024.

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.

To the Board of Trustees
Virtual Learning Academy of St. Clair County
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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 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 8, 2024