

Presque Isle Academy II

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2023

Presque Isle Academy II

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June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Presque Isle Academy II

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Presque Isle Academy II, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Presque Isle Academy II's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Presque Isle Academy II, as of June 30, 2023, and the respective changes in financial position 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 Presque Isle Academy II 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Presque Isle Academy II'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 judgment 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal 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 Presque Isle Academy II'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Presque Isle Academy II'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.

Required Supplementary Information

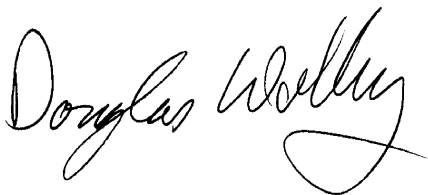
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Presque Isle Academy II's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of Presque Isle Academy II'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 Presque Isle Academy II'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 Presque Isle Academy II's internal control over financial reporting and compliance.



Douglas Wohlberg, CPA
Grandville, Michigan
October 31, 2023

Presque Isle Academy II

Management Discussion and Analysis

As management of Presque Isle Academy II (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2023.

Financial Highlights

- The Academy's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$402,736 resulting in a positive *net position*. Of this amount, *unrestricted net position* had a positive balance of \$5,918.
- The Academy's total net position decreased by \$56,066 from the June 30, 2022, net position.
- As of the close of the current fiscal year, the Academy's *governmental funds* reported combined ending fund balances of \$457,506, a decrease of \$52,268 in comparison with the prior year. See pages 16, 18, and 44 for the exact composition of this net decrease. Of the \$457,506, approximately 97 percent, or \$444,552 is *available for spending* at the Academy's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$444,552 or 80 percent of total general fund expenditures (including outgoing transfers.)

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner like a private sector business.

The *statement of net position* presents information on all the Academy's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Presque Isle Academy II

Management Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the Academy that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Academy include alternative high school instruction and support services. The Academy has no business-type activities as of and for the year ended June 30, 2023.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like State and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Academy adopts an annual appropriated budget for its general and food service funds. Budgetary comparison statements have been provided for the General Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16, 18 and 44 of this report.

Presque Isle Academy II

Management Discussion and Analysis

Notes to the financial statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 41 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets and deferred outflows exceeded liabilities and deferred inflows by \$402,736 at the close of the most recent fiscal year.

The Academy's net position, apart from the net pension obligation, is primarily comprised of its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Presque Isle Academy II

Management Discussion and Analysis

Academy's Net position

	Governmental Activities	
	2023	2022
Assets and Deferred Outflows of Resources		
Current and other assets	\$ 507,233	\$ 554,666
Capital assets, net	441,808	411,271
Total assets	949,041	965,937
Deferred outflows of resources	207,262	83,236
Total assets and deferred outflows of resources	\$ 1,156,303	\$ 1,049,173
Liabilities and Deferred Inflows of Resources		
Long-term outstanding	\$ 575,549	\$ 332,752
Other liabilities	49,727	44,892
Total liabilities	625,276	377,644
Deferred inflows of resources	128,291	212,727
Total liabilities and deferred inflows of resources	753,567	590,371
Net position		
Invested in capital assets, net of related debt	\$ 396,721	\$ 378,555
Restricted	97	97
Unrestricted	5,918	80,150
Total net position	\$ 402,736	\$ 458,802

Other components of the Academy's net position include \$97 for food service. These represent resources that are subject to external restrictions on how they may be used. The component consisting of \$5,918 represents *unrestricted net position*.

The government's net position decreased by \$56,066 during the current fiscal year. See subsequent page for the major components of this decrease.

Included in the current fiscal year was foundation allowance funding, set by the State of Michigan, of \$9,150 per student.

Within the past decade, the Academy's enrollment has ranged between 25 and 75 students.

Presque Isle Academy II

Management Discussion and Analysis

Academy's Changes in Net position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenue		
Program revenue		
Charges for services	\$ 48,060	\$ 49,285
Operating grants/contributions	73,038	67,949
General revenue		
State school aid	234,410	262,278
Unrestricted investment earnings and other	<u>66,562</u>	<u>1,457</u>
Total Revenue	<u>422,070</u>	<u>380,969</u>
Expenses		
Instruction	192,403	147,490
Supporting services	250,062	164,846
Food services	5,682	6,359
Depreciation – unallocated	25,747	16,827
Interest on long-term debt	<u>4,242</u>	<u>1,978</u>
Total Expenses	<u>478,136</u>	<u>337,500</u>
Increase (decrease) in net position	(56,066)	43,469
Net position, beginning of year	<u>458,802</u>	<u>415,333</u>
Net position, end of year	<u>\$ 402,736</u>	<u>\$ 458,802</u>

Presque Isle Academy II

Management Discussion and Analysis

Governmental activities.

Net position decreased by \$56,066. The key elements of this net decrease are as follows:

- Net position decreased by \$21,694 due to the overall net increase in the combination of deferred outflows of resources, deferred inflows of resources and net pension and OPEB liability.
- Net position related to the general fund decreased by \$52,268 due to an operating deficit during the year.

Financial Analysis of the Government's Funds

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$457,506, a decrease of \$52,268 in comparison with the prior year. Approximately 97 percent of this total amount (\$444,552) constitutes *unassigned fund balance*, which is available for spending at the Academy's discretion. The remainder of fund balance is *non-spendable, restricted* or *assigned* to indicate that it is not available for new spending because the underlying assets are not available for current expenditures. This is because they are included as capital projects, school-based services and debt service fund accounts.

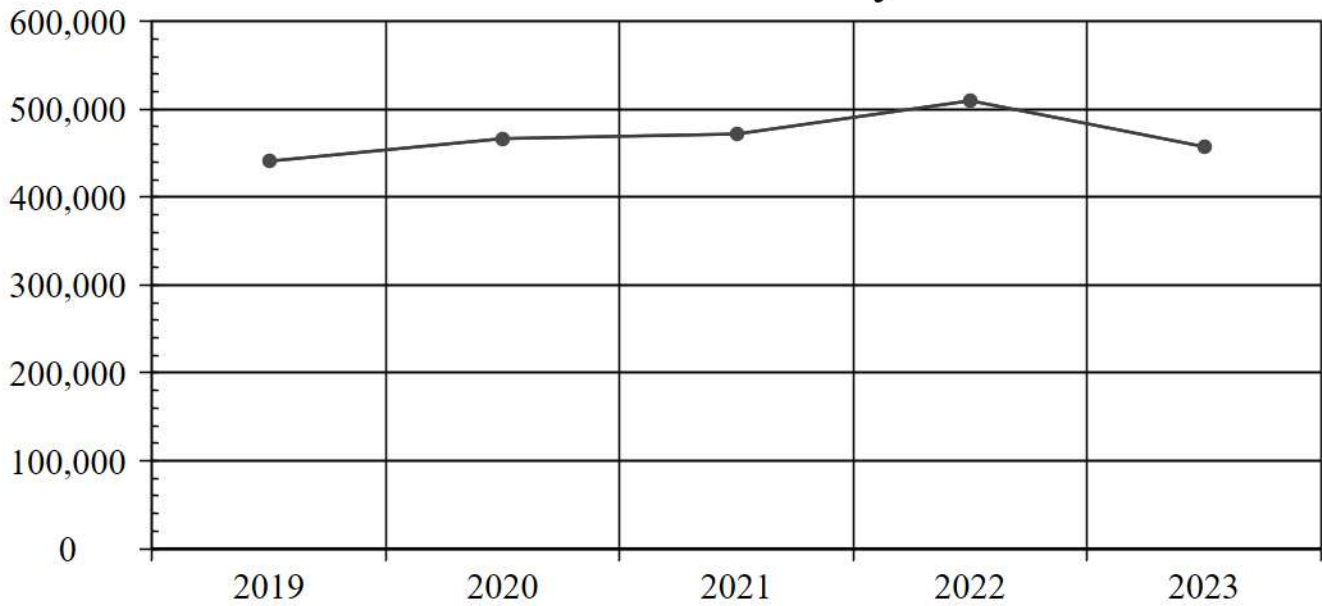
The general fund is the chief operating fund of the Academy. At the end of the current fiscal year, unassigned fund balance of the general fund was \$444,552. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 80 percent of total general fund expenditures (including outgoing transfers.)

Presque Isle Academy II

Management Discussion and Analysis

The fund balance of the Academy's General Fund decreased by \$52,268 during the current fiscal year.

General Fund Fund Balance History



The Food Service Fund has a total fund balance of \$97, which has not changed from the previous fiscal year.

Presque Isle Academy II

Management Discussion and Analysis

General Fund Budgetary Highlights

Significant differences between the original and final amended budgets were mainly due to vehicle purchases and trade-in activities occurring during the fall of 2022. Sales proceeds, capital outlay and debt payment expenses were all affected which resulted in the higher expenditures.

Capital Asset and Debt Administration

Capital assets. The Academy’s investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$441,808 (net of accumulated depreciation). This investment in capital assets includes land, a building, and two vehicles. The total increase in the Academy’s investment in capital assets for the current fiscal year (including depreciation) was \$30,537.

There were only vehicle-related capital asset events during the current fiscal year.

	Academy's Capital Assets (Net of depreciation) June 30, 2023
	Governmental Activities
Land	\$ 50,000
Buildings and building improvements	304,454
Vehicles	87,354
Total capital assets, net	\$ 441,808

More information on the Academy’s capital assets can be found in Note 4 on page 29 of this report.

Long-term debt.

During the fiscal year, the Academy traded the 2021 Ford Explorer for a 2022 Ford Explorer. Doing so, the Academy retired one installment contract to Ford Motor Credit Company, and opened another.

At the end of the current fiscal year, the Academy had a 2022 installment agreement note, for a vehicle, with a balance outstanding of \$45,087.

The Academy’s total debt obligation increased by \$12,371 during the current fiscal year.

More information on the Academy’s long-term debt can be found in Note 7 on page 30 of this report.

Presque Isle Academy II

Management Discussion and Analysis

Factors Bearing on the Academy's Future

The following factors were considered in preparing the Academy's budget for the 2023-2024 fiscal year:

- Uncertainties related to enrollment counts continue to present budgeting challenges for all Michigan school districts and charter schools. Careful attention to official pupil counts and interim tallies is undertaken to assist with trending projections needed for budget forecasting.
- As currently approved, the State Aid Bill is expected to provide the Academy with per-pupil funding that is equivalent to the adopted budget projection, which was conservatively derived.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Office, 20830 Cedar Street, Onaway, Michigan 49765.

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BASIC FINANCIAL STATEMENTS

Presque Isle Academy II

Statement of Net Position

June 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 387,671
Accounts receivable, net	48,060
Intergovernmental receivable	58,645
Prepays	12,857
Land	50,000
Capital assets less accumulated depreciation of \$112,609	391,808
Total assets	949,041
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	146,396
OPEB healthcare related	60,866
Total deferred outflows of resources	207,262
LIABILITIES	
Accounts payable	1,822
Accrued and other liabilities	47,905
Long-term liabilities:	
Due within one year	20,587
Due in more than one year	24,500
Net pension liability	498,962
OPEB healthcare liability	31,500
Total liabilities	625,276
DEFERRED INFLOWS OF RESOURCES	
Pension related	51,885
OPEB healthcare related	76,406
Total deferred inflows of resources	128,291
NET POSITION	
Net investment in capital assets	396,721
Restricted for:	
Food service	97
Unrestricted	5,918
Total net position	\$ 402,736

The Notes to Financial Statements are an integral part of this statement.

Presque Isle Academy II

Statement of Activities

For the year ended June 30, 2023

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Functions/Programs:				
Governmental activities:				
Instruction	\$ 192,403	\$ -	\$ 73,038	\$ (119,365)
Support services	250,062	48,060	-	(202,002)
Food service	5,682	-	-	(5,682)
Interest on long-term debt	4,242	-	-	(4,242)
Depreciation (unallocated)	25,747	-	-	(25,747)
Total governmental activities	\$ 478,136	\$ 48,060	\$ 73,038	(357,038)
General revenues:				
State of Michigan aid, unrestricted				234,410
Unrestricted investment earnings				4,929
Other revenues				61,633
Total general revenues				300,972
Change in net position				(56,066)
Net position-beginning				458,802
Net position-ending				\$ 402,736

The Notes to Financial Statements are an integral part of this statement.

Presque Isle Academy II

Governmental Funds

Balance Sheet

June 30, 2023

	General	Nonmajor Fund - Food Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 387,574	\$ 97	\$ 387,671
Accounts receivable, net	48,060	-	48,060
Intergovernmental receivable	58,645	-	58,645
Prepaid items	12,857	-	12,857
Total assets	\$ 507,136	\$ 97	\$ 507,233
LIABILITIES			
Accounts payable	\$ 1,822	\$ -	\$ 1,822
Accrued liabilities	47,905	-	47,905
Total liabilities	49,727	-	49,727
FUND BALANCES			
Nonspendable:			
Prepaid items	12,857	-	12,857
Restricted:			
Food service	-	97	97
Debt service	-	-	-
Unassigned	444,552	-	444,552
Total fund balances	457,409	97	457,506
Total liabilities and fund balances	\$ 507,136	\$ 97	\$ 507,233

The Notes to Financial Statements are an integral part of this statement.

Presque Isle Academy II

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2023

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

Total fund balances - governmental funds	\$	457,506
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		441,808
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2023 were:		
Notes payable		(45,087)
Net pension liability		(498,962)
OPEB healthcare liability		(31,500)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources:		
Pension related		146,396
OPEB healthcare related		60,866
Deferred inflows of resources:		
Pension related		(51,885)
OPEB healthcare related		(76,406)
Net position of governmental activities	\$	402,736

The Notes to Financial Statements are an integral part of this statement.

Presque Isle Academy II

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2023

	General	Nonmajor Fund - Food Service	Total Governmental Funds
REVENUES			
Local sources	\$ 6,295	\$ -	\$ 6,295
State sources	316,683	-	316,683
Federal sources	13,428	-	13,428
Other local revenue	105,560	-	105,560
Total revenues	441,966	-	441,966
EXPENDITURES			
Current:			
Instruction	192,753	-	192,753
Support services	356,065	-	356,065
Food services	-	5,682	5,682
Total expenditures	548,818	5,682	554,500
Excess (deficiency) of revenues over expenditures	(106,852)	(5,682)	(112,534)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,682	5,682
Transfers out	(5,682)	-	(5,682)
Proceeds of long-term debt	60,266	-	60,266
Total other financing sources (uses)	54,584	5,682	60,266
Net change in fund balances	(52,268)	-	(52,268)
Fund balances-beginning	509,677	97	509,774
Fund balances-ending	\$ 457,409	\$ 97	\$ 457,506

The Notes to Financial Statements are an integral part of this statement.

Presque Isle Academy II

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$	(52,268)
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Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation expense in the current period.	30,537
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Repayments of note and bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	47,895
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Proceeds from issuance of long-term debt is an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt).	(60,266)
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Governmental funds report pension contributions as expenditures. However, in the statements of activities, the pension expense is determined by the pension plan. This is the amount by which the pension expense exceeded the contributions.	(45,341)
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Governmental funds report OPEB healthcare contributions as expenditures. However, in the statements of activities, the OPEB healthcare expense is determined by the plan. This is the amount by which the OPEB healthcare expense exceeded the contributions.	23,377
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Change in net position of governmental activities	\$	(56,066)
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Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presque Isle Academy II (the "Academy") was formed as a charter school academy pursuant to the MCL 380.1 ct seg. This law allows for the Academy to be eligible for State aid and must comply with Michigan School Code. The Academy was established by the Onaway, Posen, and Rogers City School Districts as a Charter School Academy. The Academy operates under a charter contract with Bay Mills Community College. The Academy operates under a five-member Board of Directors and provides alternative secondary education services to students deemed at risk of dropping out or being dismissed from local school districts.

On July 1, 2016, the Academy and Bay Mills Community College entered into a Charter Public School contract under Michigan P.A. 362 of 1993. This charter is through June 30, 2024. The Academy will operate as an independent nonprofit entity while Bay Mills Community College will act as the fiscal agent for the Academy. The Academy will conduct itself as a governmental unit. Bay Mills Community College, as fiscal agent, will review and monitor books and records of financial transactions. For this service, Bay Mills Community College will receive an administrative fee equal to 3% of state school aid.

The accounting policies of Presque Isle Academy II conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy.

A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Academy. Based on application of the criteria, the Academy does not contain component units.

B. Academy-wide and Fund Financial Statements

The academy-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the Academy's academy-wide activities are considered governmental activities.

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

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

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Unrestricted State aid, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 by the Academy.

The Academy reports the following major governmental fund:

The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Academy's Special Revenue Fund accounts for the Academy's food service activity. Any operating deficit generated by this activity is the responsibility of the General Fund.

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

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

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade receivables are shown as net of allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both academy-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 the asset's useful life are not capitalized. The Academy does not have infrastructure-type assets.

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

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and improvements	20-50 years
Land improvements	20 years
Transportation equipment	20 years
Furniture and other equipment	5-20 years
Computers and software	5 years

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report 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/expenditure) until then. The Academy has two items that qualify for reporting in this category. They are pension related items and OPEB healthcare related items.

In addition to liabilities, the statement of financial position will sometimes report 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) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Academy has two items that qualify for reporting in this category. They are pension related items and OPEB healthcare related items.

Long-term Obligations

In the academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Other Financing Sources (Uses)

Transfers of cash between the various Academy funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the academy-wide fund statements and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable**--Amounts that cannot be spent either because they are (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- **Restricted**--Amounts with constraints placed on the use of resources because they are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed**--Amounts that can be used only for specific purposes determined by a formal action by Board of Directors resolution, and that remain binding unless removed in the same manner.
- **Assigned**--Amounts neither restricted nor committed for which an Academy has a stated intended use as established by the Board of Directors or a body or official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.
- **Unassigned**--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Academy's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Academy's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Comparative Data/Reclassifications

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

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

E. Revenues and Expenditures/Expenses

Program Revenues

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

F. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan Law. State law permits academies to amend their budgets during the year. During the year, the budgets were amended in a legally permissible manner.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts, etc.) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of Federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investments pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

Deposits are carried at cost. The investment policy adopted by the Board, in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Academy's deposits and investment policy are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk of bank deposits. At year end, the bank balance of the Academy's deposits (checking and money market funds) is \$45,444, of that balance \$45,444 is insured by Federal depository insurance and the National Credit Union Administration and \$0 is uninsured. The Academy will minimize custodial credit risk by limiting investments to the types of securities allowed by law, prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the Academy will invest. The Board of Directors authorized Citizens National Bank and Awakon Federal Credit Union for the investment of the Academy's funds for the year.

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

	Fair Value	Weighted Average Maturity (Years)
MILAF External Investment Pool - MAX	\$ 354,600	N/A

Credit Risk

State law limits investment in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of year end, the Academy did not have any investments.

Concentration of Credit Risk

The Academy will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Academy's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

	Fair Value	Standard & Poors Rating
MILAF External Investment Pool - MAX	\$ 354,600	AAAm

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

Custodial Credit Risk – Investments.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair Value Hierarchy

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	Amortized Cost	Standard & Poors Rating	%
MILAF External Investment Pool - MAX	354,600	AAAm	100.00%

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2023:

	Governmental Funds
Cash and Cash Equivalents	\$ 33,071
Investments	354,600
Total	\$ 387,671

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 4 - CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets, being depreciated:				
Buildings and improvements	379,186	-	-	379,186
Equipment and furnishings	8,220	10,253	-	18,473
Vehicles	68,597	101,119	62,958	106,758
Total capital assets being depreciated	456,003	111,372	62,958	504,417
Less accumulated depreciation for:				
Buildings and improvements	78,286	8,246	-	86,532
Equipment and furnishings	2,466	4,207	-	6,673
Vehicles	13,980	13,294	7,870	19,404
Total accumulated depreciation	94,732	25,747	7,870	112,609
Governmental activities capital assets, net	\$ 411,271	\$ 85,625	\$ 55,088	\$ 441,808

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - INTERFUND TRANSFERS

The Food Service Fund and the Debt Service Fund are supported by transfers from the General Fund. The composition of interfund transfers, as of June 30, 2023, is as follows:

Interfund transfers:

Transfer Out Fund	Transfer In Fund Food Service
General	\$ 5,682

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2023, consist of the following:

State aid	\$ 58,645
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Amounts reported as intergovernmental receivables include amounts due from federal, state, and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 7 - LONG-TERM DEBT

The Academy issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the Academy.

The following is a summary of long-term debt transactions for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes	\$ 32,716	\$ 60,266	\$ 47,895	\$ 45,087	\$ 20,587

The annual requirement to amortize long-term debt outstanding, as of June 30, 2023, follows:

Year ended June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 20,587	\$ 696	\$ 21,283
2025	20,992	291	21,283
2026	3,508	8	3,516
Totals	\$ 45,087	\$ 995	\$ 46,082

Long-term note obligations were comprised of the following:

Vehicle Retail Installment Contract payable to Ford Motor Credit Company, LLC, collateralized by a vehicle, due in monthly installments through 2026. Interest of 1.90%, the monthly payments are \$1,774. \$ 45,087

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 8 - Payables to the Pension and OPEB Plan

At year-end, the District is current on all required pension and OPEB plan payments. At year end, the District reported payables in the amount of \$27,932 to the pension and OPEB plans. These amounts represent current payments for June wages paid in July, accruals for summer pay primarily for teachers and also the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

NOTE 9 - GASB Statement No. 96, Subscription-based Information Technology Arrangements

It has been determined that the District has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

NOTE 10 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - SUBSEQUENT EVENTS

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through October 31, 2023, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 12 - PENSION PLAN

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (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 the System. The board consists of twelve members— eleven appointed by the Governor and 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 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 the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, 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 the System 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 Sept. 30, 2021 valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2022.

Benefit Structure	Pension Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Basic	0.0 - 4.0 %	26.38 %	20.14 %
Member Investment Plan	3.0 - 7.0 %	26.38 %	20.14 %
Pension Plus	3.0 - 6.4 %	N/A	17.22 %
Pension Plus 2	6.2 %	N/A	19.93 %
Defined Contribution	0.0 %	19.86 %	13.73 %

Required contributions to the pension plan from the academy were \$45,156 for the year ended September 30, 2022.

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

At June 30, 2023, the academy reported a liability of \$498,962 for its proportionate share of the 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 2020. The academy's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the academy's proportion was 0.00001327 percent, which was an increase of 10.3240 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the academy recognized pension expense of \$67,499. At June 30, 2023, the academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,991	\$ 1,116
Changes of assumptions	85,740	-
Net difference between projected and actual earnings on pension plan investments	1,170	-
Changes in proportion and differences between academy contributions and proportionate share of contributions	31,200	8,478
Academy contributions subsequent to the measurement date	23,295	42,291
Total	\$ 146,396	\$ 51,885

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)	
Year Ending September 30	Amount
2023	\$ 30,012
2024	26,351
2025	24,979
2026	32,165

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00% net of investment expenses
- Pension Plus Plan:	6.00% net of investment expenses
- Pension Plus 2 Plan:	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% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922 for non-university employers.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2022 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension 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	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/Opportunistic Pools	10.0	5.8
Short-Term Investment Pools	2.0	(0.1)
Total	100.0 %	

*Long term rates of return are net of administrative expenses and 2.2% inflation

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Sensitivity of the Academy's proportionate share 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 the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the academy'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 higher:

1% Decrease 5.00%	Current Single Discount Rate Assumption 6.00%	1% Increase 7.00%
\$ 658,445	\$ 498,962	\$ 367,542

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (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 the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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 the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

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 the System 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, 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. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning Jan. 1, 2013; 90% for those 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 the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept. 3, 2012 or were on an approved professional services or military leave of absence on Sept. 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 Feb. 1, 2013.

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, 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.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Employer contributions to the System 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 Sept. 30, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending Sept. 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended Sept. 30, 2022.

Benefit Structure	OPEB Contribution Rates		
	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00 %	6.79 %	8.09 %
Personal Healthcare Fund (PHF)	0.00 %	5.87 %	7.23 %

Required contributions to the OPEB plan from the academy were \$11,239 for the year ended September 30, 2022.

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

At June 30, 2023, the academy reported a liability of \$31,500 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 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 proportion was 0.00001487 percent, which was a decrease of 19.5024 percent from its proportion measured as of October 1, 2021.

For the year ended June 30, 2023, the academy recognized OPEB expense of \$(9,963). At June 30, 2023, the academy reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 61,697
Changes of assumptions	28,077	2,286
Net difference between projected and actual earnings on OPEB plan investments	2,462	-
Changes in proportion and differences between academy contributions and proportionate share of contributions	20,158	12,423
Academy contributions subsequent to the measurement date	10,169	-
Total	\$ 60,866	\$ 76,406

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 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:

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

2023	\$	(10,806)
2024		(11,001)
2025		(7,125)
2026		657
2027		1,954
Thereafter		612

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post 65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	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.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the Sept. 30, 2018 valuation. The total OPEB liability as of Sept. 30, 2022, is based on the results of an actuarial valuation date of Sept. 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at Michigan.gov/ORSSchools.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB 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	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/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	0.5
Total	100.0 %	

*Long term rates of return are net of administrative expenses and 2.2% inflation

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This 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 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 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.

Presque Isle Academy II

Notes to Financial Statements

June 30, 2023

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 higher:

1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
\$ 52,839	\$ 31,500	\$ 13,531

Sensitivity of 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 the net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 13,191	\$ 31,500	\$ 52,053

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at www.michigan.gov/orsschools.

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REQUIRED SUPPLEMENTAL INFORMATION

Presque Isle Academy II

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Local sources	\$ 1,400	\$ 5,360	\$ 6,295	\$ 935
State sources	329,300	316,645	316,683	38
Federal sources	8,500	13,428	13,428	-
Other local revenue	46,800	100,000	105,560	5,560
Total revenues	386,000	435,433	441,966	6,533
EXPENDITURES				
Current:				
Instruction:				
Basic programs	140,768	192,739	192,753	(14)
Support services:				
Instructional staff services	700	700	547	153
General administration	22,200	19,000	17,680	1,320
School administration	156,055	149,820	146,663	3,157
Business services	6,662	6,406	6,200	206
Operations and maintenance	28,825	129,069	124,591	4,478
Pupil transportation	3,435	2,189	1,831	358
Central support services	8,807	7,655	6,749	906
Debt service:				
Principal	16,548	47,622	47,562	60
Interest	1,000	5,000	4,242	758
Total expenditures	385,000	560,200	548,818	11,382
Excess (deficiency) of revenues over expenditures	1,000	(124,767)	(106,852)	17,915
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	64,567	60,266	(4,301)
Transfers out	-	(5,800)	(5,682)	118
Total other financing sources (uses)	-	58,767	54,584	(4,183)
Net change in fund balance	1,000	(66,000)	(52,268)	13,732
Fund balance-beginning	509,677	509,677	509,677	-
Fund balance-ending	\$ 510,677	\$ 443,677	\$ 457,409	\$ 13,732

Presque Isle Academy II

Pension Plan

Required Supplemental Information

June 30, 2023

Schedule of the Academy's Proportionate Share of the Net Pension Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.0000133 %	0.0000119 %	0.0000121 %	0.0000123 %	0.0000132 %	0.0000114 %	0.0000637 %	0.0000500 %	0.0000200 %
Reporting unit's proportionate share of net pension liability	\$ 498,962	\$ 281,759	\$ 414,813	\$ 408,037	\$ 395,812	\$ 295,241	\$ 158,829	\$ 115,247	\$ 5,053
Reporting unit's covered employee payroll	\$ 150,883	\$ 112,538	\$ 118,098	\$ 110,889	\$ 130,375	\$ 123,768	\$ 70,718	\$ 72,268	\$ 3,450
Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	330.69 %	250.37 %	351.24 %	367.97 %	303.60 %	238.54 %	224.59 %	159.47 %	146.46 %
Plan fiduciary net position as a percentage of total pension liability	60.77 %	72.60 %	59.72 %	60.31 %	62.36 %	64.21 %	63.27 %	63.17 %	66.20 %

Schedule of the Academy's Pension Contributions

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 45,156	\$ 35,734	\$ 33,186	\$ 32,732	\$ 35,853	\$ 29,486	\$ 26,750	\$ 12,135	\$ 6,363
Contributions in relation to statutorily required contributions	45,156	35,734	33,186	32,732	35,853	29,486	26,750	12,135	6,363
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Reporting units covered-employee payroll	\$ 174,818	\$ 136,124	\$ 111,750	\$ 117,602	\$ 109,787	\$ 137,935	\$ 121,123	\$ 84,775	\$ 56,858
Contributions as a percentage of covered-employee payroll	25.83 %	26.25 %	29.70 %	27.83 %	32.66 %	21.38 %	22.08 %	14.31 %	11.19 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of benefit assumptions: The assumption changes for the plan year ended September 30, 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

Presque Isle Academy II

OPEB Plan

Required Supplemental Information

June 30, 2023

Schedule of the Academy's Proportionate Share of the Net OPEB Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Academy's proportion of net OPEB liability (%)	0.0000149 %	0.0000120 %	0.0000130 %	0.0000123 %	0.0000149 %	0.0000122 %
Academy's proportionate share of net OPEB liability	\$ 31,500	\$ 18,277	\$ 69,484	\$ 88,129	\$ 118,464	\$ 107,993
Academy's covered payroll (OPEB)	\$ 150,883	\$ 112,538	\$ 118,750	\$ 110,889	\$ 130,375	\$ 123,768
Academy's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	20.88 %	16.24 %	58.51 %	79.47 %	90.86 %	87.25 %
Plan fiduciary net position as a percentage of total OPEB liability	83.09 %	87.33 %	59.44 %	48.46 %	42.95 %	36.39 %

Schedule of the Academy's OPEB Contributions

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 11,329	\$ 8,889	\$ 9,164	\$ 8,430	\$ 9,674	\$ 2,561
Contributions in relation to statutorily required contributions	11,329	8,889	9,164	8,430	9,674	2,561
Contribution deficiency (excess)	-	-	-	-	-	-
Reporting units covered-employee payroll	\$ 174,818	\$ 136,124	\$ 111,750	\$ 117,602	\$ 109,787	\$ 130,375
Contributions as a percentage of covered-employee payroll	6.48 %	6.53 %	8.20 %	7.17 %	8.81 %	1.96 %

Notes to Required Supplementary Information

Changes of benefit terms: There were no changes of benefit terms for the plan year ended September 30, 2022.

Changes of benefit assumptions: The assumption changes for the plan year ended September 30, 2022 were:

Discount rate decreased to 6.00% from 6.95%.

October 31, 2023

To the Board of Education
Presque Isle Academy II

We have audited the financial statements of the governmental activities and the major fund information and aggregate remaining fund information of Presque Isle Academy II for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *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 October 3, 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 Presque Isle Academy II are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 district's financial statements were:

Estimates have been used to calculate the net pension and net OPEB liabilities. We evaluated the key factors and assumptions used to develop the net pension and net OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the useful lives of capital assets which is based on previous history, and management's estimate of the net pension liability which is based on an actuarial valuation of the entire Michigan Public School Employees Retirement System. We evaluated 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.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 31, 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 governmental unit'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

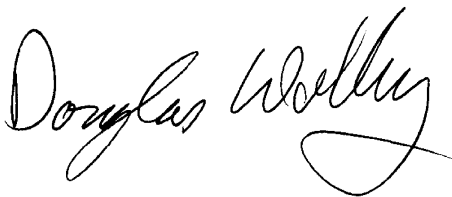
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Matters

We applied certain limited procedures to the the General Fund Budgetary Comparison Schedule, the Schedule of the Academy's Proportionate Share of the Net Pension Liability, the Schedule of the Academy's Pension Contributions, the Schedule of the Academy's Proportionate Share of the Net OPEB Liability, and the Schedule of the Academy's OPEB Contributions, which is required supplementary information (RSI) that supplements 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.

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

Very truly yours,



Douglas Wohlberg, CPA
Grandville, Michigan

**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 Directors
Presque Isle Academy II

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Presque Isle Academy II as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Presque Isle Academy II's basic financial statements, and have issued our report thereon dated October 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Presque Isle Academy II's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Presque Isle Academy II's internal control. Accordingly, we do not express an opinion on the effectiveness of Presque Isle Academy II'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Presque Isle Academy II's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 (continued)**

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.

Very truly yours,

A handwritten signature in black ink that reads "Douglas Wohlberg". The signature is written in a cursive style with a large, sweeping flourish at the end.

Douglas Wohlberg, CPA
Grandville, Michigan
October 31, 2023