

**NEWAYGO COUNTY REGIONAL  
EDUCATIONAL SERVICE AGENCY**

**FREMONT, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITOR’S REPORT .....	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4-13
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Statement of Net Position .....	14
Government-Wide Statement of Activities.....	15-16
Governmental Funds Balance Sheet .....	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	18
Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances.....	19-20
Reconciliation of Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Net Position - Proprietary Funds .....	22
Statement of Revenues, Expenses, and Change in Net Position - Proprietary Funds .....	23
Statement of Cash Flows - Proprietary Funds .....	24
Statement of Net Position - Fiduciary Fund .....	25
Statement of Change in Net Position – Fiduciary Fund.....	26
Notes to the Financial Statements .....	27-57
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Budgetary Comparisons for Major Funds:</b>	
General Fund.....	58
Special Education Fund .....	59
Career Tech Fund.....	60
Schedule of Proportionate Share of Net Pension Liability .....	61
Schedule of Pension Contributions .....	62
Schedule of Proportionate Share of Net OPEB Liability .....	63
Schedule of OPEB Contributions .....	64

COMBINING FUND FINANCIAL STATEMENTS

Combining Balance Sheet Nonmajor Governmental Funds ..... 65

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
In Fund Balances Nonmajor Governmental Funds ..... 66

FEDERAL FINANCIAL ASSISTANCE

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*.....67-68

Independent Auditor’s Report on Compliance for Each Major Federal Program  
And on Internal Control Over Compliance Required by the Uniform Guidance .....69-70

Schedule of Expenditures of Federal Awards .....71-73

Schedule of Federal Financial Assistance Provided to Subrecipients ..... 74

Notes to Schedule of Expenditures of Federal Awards..... 75

Summary Schedule of Prior Audit Findings ..... 76

Schedule of Findings and Questioned Costs ..... 77



## INDEPENDENT AUDITOR'S REPORT

October 7, 2021

To the Board of Education  
Newaygo County Regional Educational Service Agency (NC RESA)  
Fremont, MI

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of NC RESA, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise NC RESA's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of NC RESA as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Implementation of GASB Statement No. 84***

As described in Note T, The Agency implemented the provisions of GASB Statement No. 84, Fiduciary Activities, in the current year. Accordingly the beginning net position of the custodial fund has been restated. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-13 and 58-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 the 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NC RESA's basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 7, 2021 on our consideration of NC RESA'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 NC RESA'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 NC RESA's internal control over financial reporting and compliance.

*H & S Companies, P.C.*

H & S Companies, P.C.  
Reed City, MI

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

As management of the Newaygo County Regional Educational Service Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the Agency's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The Agency's total Net Position of governmental activities increased from \$(6,860,056) to \$(5,655,199).
- General revenues accounted for about \$10.8 million in revenues, or 46.2% of all fiscal year 2021 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for about \$12.6 million or 53.8% of total fiscal year 2021 revenues. Total revenues increased over \$994,000 from fiscal year 2020.
- The Agency had over \$22.2 million in expenses related to governmental activities; of which \$12.6 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues were adequate to provide for the remaining \$9.6 million costs of these programs. Total expenses, including business-type activities, increased by about \$84,000 from fiscal year 2020.
- As one of the major funds for the Agency, the General Fund had over \$6.5 million in revenue which primarily consisted of state aid and property taxes, and over \$6.9 million in expenditures. After considering the Net Other Financing Sources and Uses (including operating transfers in and out), the General Fund's fund balance increased by \$1,509.
- Another major fund for the Agency, the Special Education Fund, had over \$10.5 million in revenue. This revenue primarily consisted of federal grants, state aid, and property taxes. These revenues were spent between expenditures of over \$8.96 million and other financing uses (including transfers) of approximately \$1.4 million. The Special Education's fund balance increased by \$201,804 from 2020 to 2021.
- The Career Tech Fund, another major fund, had over \$6.1 million in revenue which primarily consisted of state aid and property taxes. Expenditures were over \$4.8 million and transfers out were over \$1.3 million, resulting in an increase in fund balance of \$34,152.
- The Agency's total debt decreased by approximately \$1.5 million during the current fiscal year. The majority of this decrease is related to the net OPEB liability and bond payments made during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The *Statement of Net Position* presents information on all of the Agency's assets and liabilities, with the difference between the two 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 Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the Agency'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., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the Agency that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Agency include instruction, support services, operation and maintenance of plant, and operation of non-instructional services.

The government-wide financial statements can be found on pages 14-16 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 Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**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 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 the Agency'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 Agency'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*. These reconciliations are on pages 18 and 21, respectively.

The basic governmental fund financial statements can be found on pages 17 and 19-20 of this report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Proprietary funds.** Proprietary funds use the accrual basis of accounting, the same as on the government-wide statements, therefore the statements will essentially match the business-type activities portion of the government-wide statements.

The proprietary fund financial statements can be found on pages 22-24 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Agency. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Agency's own programs. The accrual basis of accounting is used for fiduciary funds.

The basic fiduciary fund financial statements can be found on page 25-26 of this report.

**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 27-57 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Agency's budget process and net pension and other post-employment benefits (OPEB) schedules. The Agency adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for all major funds as required supplementary information. The required supplementary information can be found on pages 58-60 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$(5,655,199) as of June 30, 2021 compared to \$(6,860,056) as of June 30, 2020. These amounts are negative due to the implementation of GASB 68 and GASB 75 which require the Agency to report their proportionate share of the pension and OPEB liabilities of the Michigan Public School Employees' Retirement System. These liabilities are a significant portion of the Agency's Net Position.

A large portion of the Agency's Net Position reflects the investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Agency'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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

The following summarizes the net position at fiscal years ended June 30, 2021 and 2020:

	Governmental Activities		Business-Type Activities		Total
	2021	2020 (Restated)	2021	2020	2021
<b>Assets</b>					
Current Assets	\$ 18,084,328	\$ 14,682,511	\$ 4,061,759	\$3,241,387	\$ 22,146,087
Capital Assets - Net of Accumulated Depreciation	15,404,915	15,658,227	298,366	263,696	15,703,281
Total Assets	33,489,243	30,340,738	4,360,125	3,505,083	37,849,368
<b>Deferred Outflows of Resources</b>					
Related to Pension and OPEB	8,874,611	10,555,209	689,877	855,199	9,564,488
<b>Liabilities</b>					
Current Liabilities	5,324,527	4,231,678	74,248	73,124	5,398,775
Long-Term Liabilities	36,966,375	38,402,402	2,887,175	3,004,767	39,853,550
Total Liabilities	42,290,902	42,634,080	2,961,423	3,077,891	45,252,325
<b>Deferred Inflows of Resources</b>					
Related to Pension and OPEB	5,728,151	5,121,923	481,164	421,528	6,209,315
<b>Net Position</b>					
Net Investment in					
Capital Assets	14,818,408	14,897,486	298,366	263,696	15,116,774
Restricted for Debt Service	23	22	-	-	23
Restricted for School Lunch	11,318	4,399	-	-	11,318
Restricted for Fund Purposes	5,495,498	5,198,492	-	-	5,495,498
Unrestricted	(25,980,446)	(26,960,455)	1,309,049	597,167	(24,671,397)
Total Net Position	<u>\$ (5,655,199)</u>	<u>\$ (6,860,056)</u>	<u>\$ 1,607,415</u>	<u>\$ 860,863</u>	<u>\$ (4,047,784)</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- 1) The addition of \$379,836 in capital assets through the purchases of equipment and building improvements. In the prior year, \$363,007 of capital assets were added.
- 2) The payment of \$1,354,214 of Net Pension and OPEB Liabilities.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Governmental Activities		Business-Type Activities		Total
	2021	2020	2021	2020	2021
<b>Revenues:</b>					
Program Revenues:					
Charges for Services	\$1,651,955	\$1,674,591	\$3,662,601	\$3,171,459	\$5,314,556
Operating Grants/Contrib.	10,949,753	9,356,538	-	-	10,949,753
General Revenues:					
Property Taxes	9,405,457	9,007,560	-	-	9,405,457
Grants & State Aid	1,064,611	2,000,186	-	-	1,064,611
Investment Income	84,304	91,910	17,382	33,552	101,686
Other	262,168	293,294	-	-	262,168
<b>Total Revenues</b>	<b>23,418,248</b>	<b>22,424,079</b>	<b>3,679,983</b>	<b>3,205,011</b>	<b>27,098,231</b>
<b>Expenses</b>					
Instruction	9,465,233	9,416,382	-		9,465,233
Support Services - Student & Staff	7,262,197	7,493,351	-	-	7,262,197
Support Services - Administration	1,689,389	1,890,279	93,376	81,072	1,782,765
Operation & Maintenance of Plant	1,456,222	1,547,856	108,905	106,869	1,565,127
Transportation & Central Community Services	1,143,080	1,108,145	2,687,026	2,324,141	3,830,106
Facilities Acquisition (Non Capitalized Purchase)	47,227	5,218	-	-	47,227
Food Service	66,835	83,482	-	-	66,835
Interest on Long-Term Debt	23,252	22,325	-	-	23,252
Depreciation Expense	-	-	44,124	33,329	44,124
Loss on Disposition of Capital Assets	-	53,486	-	-	-
<b>Total Expenses</b>	<b>22,213,391</b>	<b>22,571,282</b>	<b>2,933,431</b>	<b>2,545,411</b>	<b>25,146,822</b>
<b>Change in Net Position</b>	<b>\$1,204,857</b>	<b>\$ (147,203)</b>	<b>\$ 746,552</b>	<b>\$ 659,600</b>	<b>\$1,951,409</b>

**Changes in Net Position.** The Agency's total revenues for the fiscal year ended June 30, 2021, were \$27,098,231 compared with \$25,629,090 for June 30, 2020. The total cost of all programs and services was \$25,146,822 for 2020-2021 and \$25,116,693 for 2019-2020. The above table presents a summary of the changes in Net Position for the fiscal years ended June 30, 2021 and 2020.

**Governmental and Business-Type Activities.** As reported in the Statement of Activities on pages 15-16, the cost of all of our governmental and business-type activities this year was \$25,146,822 (\$25,063,207 for 2020). However, the amount that our taxpayers ultimately financed for these activities through Agency

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

taxes was only \$9,405,457 (\$9,007,560 for 2020) because some of the cost was paid by those who benefited from the programs \$5,314,556 (\$4,846,050 for 2020) and by other governments and organizations who subsidized certain programs with grants and contributions \$10,949,753 (\$9,356,538 for 2020).

The following table presents the cost of the eight major Agency functional activities: instruction, support services - students and staff, support services - administration, operation and maintenance of plant services, student transportation services, community services, facilities acquisition and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and Agency's taxpayers by each of these functions.

	Total Expenses		Net (Expenses) Revenues	
	2021	2020	2021	2020
Instruction	\$ 9,465,233	\$ 9,416,382	\$ 1,021,071	\$ (521,737)
Support Services - Students & Staff	7,262,197	7,493,351	(7,088,638)	(6,924,264)
Support Services - Administration	1,826,889	2,004,680	(1,604,511)	(1,918,343)
Operation & Maintenance of Plant	1,565,127	1,654,725	(1,115,900)	(1,112,854)
Transportation & Central	3,830,106	3,432,286	(167,505)	(260,827)
Community Services	1,126,791	1,034,240	196,660	(57,173)
Facilities Acquisition	47,227	5,218	(47,227)	(5,218)
Interest on Long-Term Debt	23,252	22,325	(23,252)	(22,325)
<b>Total Expenses</b>	<b>\$25,146,822</b>	<b>\$ 25,063,207</b>	<b>\$ (8,829,302)</b>	<b>\$ (10,822,741)</b>

The cost of all governmental activities this year was \$22,213,391 (\$22,517,796 for 2020).

For governmental activities, federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$12,601,708 (\$11,031,129 for 2020).

Net cost of governmental activities of \$9,611,683 (\$11,486,667 for 2020), was financed by general revenues, which are made up of primarily property taxes of \$9,405,457 (\$9,007,560 for 2020) and state and federal aid of \$1,064,611 (\$2,000,186 for 2020). Investment earnings accounted for \$101,686 (\$125,462 for 2020) of funding.

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The Agency's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund, the Special Education Fund, and the Career-Technical Education Fund.

**Operating Highlights:**

**General Fund.** The general fund actual revenues were \$6,536,555, which is less than the original budget estimate of \$7,480,486 and less than the final amended budget of \$8,880,945. The \$1.4 million variance between the original and final budget was largely due to additional grant funding not originally anticipated. Grant funding not originally anticipated and part of this variance includes \$461,420 for increased grant

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

funds received for the Great Start Readiness Program (GSRP) Preschool including funds identified for Curriculum and Transportation costs, \$132,000 for grants received for Mental Health services including professional development, \$119,991 for local WE CAN grant to support the Promise Zone and College Access Network, \$113,468 for increased Trusted Advisors Grants (both federal and locally funded), \$68,656 for a new Inclusion Grant received through another ISD, \$55,194 for Innovative Summer Programing funds received from the State to be flowed through to the local Districts, \$52,044 for local foundation grant for Early Literacy Projects, and \$51,663 for new Coronavirus Relief Fund Device Grant.

The \$2.3 million variance between the final amended budget and the June 30, 2021 actual results was due to grants budgeted for the full grant but not fully administered within the fiscal year. The most significant grants carried to 2020-2021 include \$960,000 for the GSRP State Grant. \$396,962 for the Mental Health Grant, \$225,000 for the State Early Literacy Coach Grant, and \$108,905 for the WE CAN Grant awarded during the year, but available for funding into the next fiscal year.

The actual expenditures of the general fund were \$6,932,956, which is less than the original budget estimate of \$8,052,655 and less than the final amended budget of \$9,507,262. The \$1.45 million variance between the original and final budget was also due to additional grants that were not originally anticipated as referenced in the previous paragraph. The \$2.57 million variance between the final amended budget and the June 30, 2021 actual expenditures was a result of including full budgets for some grants which were not fully spent as of the end of the fiscal year, as indicated in the previous paragraph. The related grant revenue and expenditures will be reported in 2021-2022.

The General Fund had total revenues of \$6,536,555, total expenditures of \$6,932,956, and \$397,910 of other financing sources (transfers in) over other financing uses (transfers out) resulting in an ending fund balance of \$1,168,164. This is an increase of \$1,509 from the prior year ending fund balance.

**Special Education Fund.** The special education fund actual revenues were \$10,559,676. That amount is more than the original budget of \$10,199,566 and less than the final amended budget of \$10,903,938. The \$704,372 variance between the original budget and the final amended budget reflected an increase in Medicaid School Based and Outreach Services of \$184,000, an increase of \$121,053 State Aid Section 51f for additional Cost Reimbursement, an increase of \$172,911 for Property Taxes, an increase in IDEA Federal Funding (Flowthrough and General Supervision grants) of \$108,535. The \$344,262 variance between the final amended budget and the June 30, 2021 actual results was mainly due to including full budgets for some grants that were not fully spent as of the end of the fiscal year, most significantly the Special Education Flowthrough grant of \$394,310.

The actual expenditures of the special education fund were \$8,959,497, which is below the original budget of \$10,071,027 and below the final amended budget of \$9,912,935. The \$158,092 variance between the original and final amended budget was mostly due to staffing changes resulting in lower anticipated wages and benefits for the year including the elimination of a program. The \$953,438 variance between the final amended budget and the June 30, 2021 actual results was due to budgeting for the anticipation of fully expending federal grant programs. The Special Education Flowthrough grant had \$393,310 more budgeted expenditures than actual expenditures which will carry over to the next fiscal year. The 2020-2021 budget also reflected higher anticipated costs than actual expenditures for wages and related benefits by \$276,921 mostly due to budgeted staff positions that were not filled before the end of the year and hourly staff whose actual schedule can vary from anticipated schedules, \$189,998 for contracted services, including substitutes, and \$83,000 for supplies and capital outlay which were not fully spent.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

The special education fund had total revenues of \$10,559,676, total expenditures of \$8,959,497, and (\$1,398,375) of other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$2,876,601. This is an increase of \$201,804 in fund balance from the previous year.

**Career-Technical Education Fund.** The career-technical education fund actual revenues were \$6,147,867 which was less than the original budget estimate of \$6,179,890 and less than the final amended budget of \$6,214,884. The \$34,994 variance between the original budget and the final amended budget reflects an \$186,119 increase in anticipated Property Taxes, \$17,055 increase anticipated federal revenues for GEERS (Governor's Emergency Education Relief) grant, \$9,080 increase in anticipated revenue from implementation of GASB Statement 84 of local grants, and a (\$186,841) decrease in the State Sid funding originally anticipated funding. The \$67,017 variance between the final amended budget and the June 30, 2021 actual results was due to \$10,000 Proud Michigan Educator grant carried over to next fiscal year, \$23,907 less donations and local grants than budgeted, and \$30,951 various program revenues being lower than projected due to reduced participation from the public.

The actual expenditures of the career-technical education fund were \$4,773,104, which is less than the original budget of \$5,768,194 and less than the final amended budget of \$5,675,665. The \$92,529 variance between the original budget and the final amended budget was due to a decrease of \$31,554 supplies and capital outlay budgets, decrease of \$25,251 in the estimated cost of wages and benefits for changes in benefits for staff and \$17,755 for decreases in budgets for miscellaneous expense. The \$902,561 variance between the final amended budget and the June 30, 2021 actual results was due to budgeting for potential capital and other supply purchases which were not purchased \$378,502. The budget for various contracted services (such as substitute teachers, utility costs for the buildings and maintenance costs) were budgeted \$274,658 higher than actual costs. The part of the variance \$198,417 was for the difference in anticipated and actual wages and benefits.

The Career Tech Fund had total revenues of \$6,147,867, total expenditures of \$4,773,104, and (\$1,304,611) other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$2,760,405. This is an increase of \$34,152 in fund balance from the previous year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2021 the Agency had invested approximately \$29 million in capital assets, including school buildings, vehicles, computers, and other equipment. This amount represents a net decrease of \$218,642 from last year. Additions for the 2020/2021 school year includes building upgrades on several buildings, computer equipment, two new trucks, a new tractor, alignment machine, floor scrubber, and storage shed. Total depreciation expense for the year was \$598,478 (\$543,584 for 2020).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2021:

	Governmental Activities	Business-Type Activities	Total
Land & Improvements	\$ 781,575	\$ -	\$ 781,575
Buildings & Improvements	13,889,232	77,885	13,967,117
Furniture & Equipment	625,489	220,481	845,970
Vehicles	108,619	-	108,619
Total	<u>\$ 15,404,915</u>	<u>\$ 298,366</u>	<u>\$ 15,703,281</u>

Additional information on the Agency's capital assets can be found in Note G of the financial statements.

**Debt Administration.** At year-end, the Agency had \$702,871 in long-term debt outstanding, of which \$180,852 is due within one year. The following table presents a summary of the Agency's outstanding long-term debt for the fiscal year ended June 30, 2021:

	Governmental Activities	Business-Type Activities	Business-Type Activities
Bonds Payable	\$ 450,000	\$ -	\$ 450,000
Capital Leases Payable	136,507	-	136,507
Accrued Absences	85,754	30,610	116,364
Total	<u>\$ 672,261</u>	<u>\$ 30,610</u>	<u>\$ 702,871</u>

See Note H in the financial statements for more details related to the Agency's long-term obligations.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The 2021-2022 budget developed by the Agency's administration and elected officials includes estimates based upon the information available in June when it was originally developed and are described below.

Considerations at the time the budget was developed include:

The State Aid Budget was not adopted by the State legislators in June making it a challenging to estimate a budget. During preparation of the budget for 2021-22 the Section 81 funds (used for general administration for Intermediate School Districts/Educational Service Agencies) were anticipated to be flat from the 2020-21 allocation, however the budget which was approved by the Governor includes a 4% increase. With the 4% increase, Section 81 funding is still lower than the 2008-09 fiscal year allocation level. This remains 15% lower than 2008-09 fiscal year. In preparing the budget the Agency is anticipating a reduction in the Special Education (Sec. 56) and Vocational Education (Sec. 62) Millage Equalizations which are categorical funds from the State. The State in the past has tried to make up for the varied property values in different districts in Michigan by distributing funds on an "equalized" basis. This was an attempt by the State to provide equitable special education and career-tech education opportunities in property-poor districts to similar levels as land rich areas. The Agency has suffered about \$1.7 million of losses since 2009-10 fiscal year in Sec. 56 and 62 millage equalization funding. There was a small increase in the total allocated to these funds for the 2017-2018 year. The calculation of the Millage Equalization funding sources is based upon a formula which will result the eventual phase out of these funding sources for NC RESA, unless it is funded by the State to the full amount necessary.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

The MPSERS Retirement Reform continues to result in complications in estimating retirement, pension, and health contributions. The State Aid Act again tries to address an issue with the growing Unfunded Actuarial Accrued Liability (UAAL) in the MPSERS fund by including payments that would be allocated to the school districts to assist in paying the estimated UAAL costs. These reforms started in 2013-14 and doubled in the first two years. The amounts have generally seen increases from those first years. The amount included in the 2021-22 budget for the Agency was \$1,497,063 or a 15.92% increase from 2020-21 actual revenues of \$1,291,434. The fiscal year 2020-21 amount was about a 16.05% increase over the amount received in 2019-20 of \$1,112,836. These amounts are budgeted as expenditures and off-setting revenue for a zero net-effect on the budgets.

Federal Grant estimates in the 2021-22 budget reflect a 1.14% decrease from the 2020-21 budgets. This is mostly due to a reduction in the amount estimated for the Coronavirus Aid, Relief, and Economic Security (CARES ACT) funding which ended in 2020-21.

Property tax values for properties within the Agency's district are beginning to recover; however, the effects of the Public Act (PA) 86 of 2014 reduces the collection of taxes on personal property. Therefore, the 2021-22 budget reflected only a 1.25% increase from 2020-21 fiscal year budget. Also, property taxes collected are reduced by various Tax Increment Funding Authorities (TIFA) and Downtown Development Authorities (DDA) which results in not receiving all anticipated revenue as budgeted.

Budgeted expenditures (including transfers) in the General Fund decreased 11.34% to \$8,603,159 for fiscal year 2021-22. The decrease was largely due to the elimination or significant reductions of several grants received in 2020-21 including grants for Innovative Summer Programming, Parents as Teachers and Great Start Readiness Program (GSRP) Preschool Grants. The Special Education Fund budgeted a 7.35% increase in expenditures (including transfers) to \$11,119,048 in fiscal year 2021-22. This increase is mainly due to an increase in the estimated of wages and benefits. The Career Technical Fund budget reflected \$6,986,152 in expenditures (including transfers) for fiscal 2021-22, a 2.9% increase from the final 2020-21 budget of \$6,789,225. This increase is mostly due to an increase in the estimated wages and benefits.

Employee wages and related fringe benefits represent approximately 50 to 60 percent of NC RESA's General, Special and Career-Tech. Education Fund expenditures. Staffing levels will have a significant impact on the near-term future of the Agency.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Business Office, Newaygo County Regional Educational Service Agency, 4747 West 48th Street, Fremont, Michigan 49412.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Investments	\$ 15,319,368	\$ 3,959,127	\$ 19,278,495
Accounts Receivable	142,019	84,584	226,603
Due from Other Governmental Units	2,381,021	-	2,381,021
Inventory	50,905	-	50,905
Prepaid Expenses	191,015	18,048	209,063
Total Current Assets	18,084,328	4,061,759	22,146,087
Noncurrent Assets			
Capital Assets not being Depreciated	781,575	-	781,575
Capital Assets being Depreciated	14,623,340	298,366	14,921,706
Total Noncurrent Assets	15,404,915	298,366	15,703,281
Total Assets	33,489,243	4,360,125	37,849,368
<b>Deferred Outflows of Resources</b>			
Deferred Outflows of Resources Related to Pensions	6,640,107	497,194	7,137,301
Deferred Outflows of Resources Related to OPEB	2,234,504	192,683	2,427,187
Total Deferred Outflows of Resources	8,874,611	689,877	9,564,488
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	89,133	22,152	111,285
Salaries Payable	844,588	37,915	882,503
Accrued Liabilities	816,111	14,181	830,292
Unearned Revenue	3,202,468	-	3,202,468
Due to Other School Districts	191,375	-	191,375
Current Portion of Long-Term Obligations	180,852	-	180,852
Total Current Liabilities	5,324,527	74,248	5,398,775
Noncurrent Liabilities			
Bonds Payable	305,000	-	305,000
Capital Lease Payable	100,655	-	100,655
Accrued Compensated Absences	85,754	30,543	116,297
Net Pension Liability	31,517,541	2,509,936	34,027,477
Net OPEB Liability	4,957,425	346,696	5,304,121
Total Noncurrent Liabilities	36,966,375	2,887,175	39,853,550
Total Liabilities	42,290,902	2,961,423	45,252,325
<b>Deferred Inflows of Resources</b>			
Deferred Inflows of Resources Related to Pensions	1,877,322	136,046	2,013,368
Deferred Inflows of Resources Related to OPEB	3,850,829	345,118	4,195,947
Total Deferred Inflows of Resources	5,728,151	481,164	6,209,315
<b>Net Position</b>			
Net Investment in Capital Assets	14,818,408	298,366	15,116,774
Restricted for Fund Purposes	5,495,498	-	5,495,498
Restricted for Debt Service	23	-	23
Restricted for Food Service	11,318	-	11,318
Unrestricted	(25,980,446)	1,309,049	(24,671,397)
Total Net Position	\$ (5,655,199)	\$ 1,607,415	\$ (4,047,784)

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
Instruction:							
Regular Instruction	\$ 2,487,117	\$ 638	\$ 3,436,025	\$ -	\$ 949,546	\$ -	\$ 949,546
Special Instruction	3,618,815	818,547	4,888,584	-	2,088,316	-	2,088,316
Vocational Instruction	3,359,301	328,217	1,014,293	-	(2,016,791)	-	(2,016,791)
Total Instruction	9,465,233	1,147,402	9,338,902	-	1,021,071	-	1,021,071
Support Services:							
Pupil Services	5,234,559	-	-	-	(5,234,559)	-	(5,234,559)
Instructional Staff Services	2,027,638	-	173,559	-	(1,854,079)	-	(1,854,079)
General Administration Services	504,117	-	-	-	(504,117)	-	(504,117)
School Administration Services	248,478	-	17,897	-	(230,581)	-	(230,581)
Business Services	936,794	-	151,270	-	(785,524)	-	(785,524)
Operations and Maintenance	1,456,222	449,227	-	-	(1,006,995)	-	(1,006,995)
Pupil Transportation Services	124,123	-	-	-	(124,123)	-	(124,123)
Central Services	986,135	-	-	-	(986,135)	-	(986,135)
Other Support Services	32,822	-	-	-	(32,822)	-	(32,822)
Total Support Services	11,550,888	449,227	342,726	-	(10,758,935)	-	(10,758,935)
Community Services	1,059,956	55,326	1,268,125	-	263,495	-	263,495
Food Services	66,835	-	-	-	(66,835)	-	(66,835)
Facilities Acquisition	47,227	-	-	-	(47,227)	-	(47,227)
Interest on Debt	23,252	-	-	-	(23,252)	-	(23,252)
Total Governmental Activities	22,213,391	1,651,955	10,949,753	-	(9,611,683)	-	(9,611,683)
<b>Business-Type Activities</b>							
Newaygo County Advanced Technology Services							
	2,933,431	3,662,601	-	-	-	729,170	729,170
Total Business-Type Activities	2,933,431	3,662,601	-	-	-	729,170	729,170
Total School District	\$ 25,146,822	\$ 5,314,556	\$ 10,949,753	\$ -	\$ (9,611,683)	\$ 729,170	\$ (8,882,513)

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property Taxes			
General Purposes	\$ 206,999	\$ -	\$ 206,999
Special Education	4,601,431	-	4,601,431
Vocational Education	4,597,027	-	4,597,027
State and Federal Aids Not Restricted To Specific Functions:			
General	1,064,611	-	1,064,611
Interest and Investment Earnings	84,304	17,382	101,686
Miscellaneous	262,168	-	262,168
Total General Revenues	<u>10,816,540</u>	<u>17,382</u>	<u>10,833,922</u>
 Change in Net Position	 1,204,857	 746,552	 1,951,409
 Net Position - July 1, 2020	 <u>(6,860,056)</u>	 <u>860,863</u>	 <u>(5,999,193)</u>
 Net Position - June 30, 2021	 <u>\$ (5,655,199)</u>	 <u>\$ 1,607,415</u>	 <u>\$ (4,047,784)</u>

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2021**

	General Fund	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Investments	\$ 3,373,960	\$ 2,805,860	\$ 3,017,770	\$ 5,874,740	\$ 11,615	\$ 15,083,945
Accounts Receivable	124,411	3,664	-	-	-	128,075
Due from Other Governmental Units	1,078,030	1,074,751	228,068	-	172	2,381,021
Inventory	6,537	6,537	37,831	-	-	50,905
Prepaid Expenditures	93,840	64,412	32,728	-	35	191,015
Total Assets	<u>\$ 4,676,778</u>	<u>\$ 3,955,224</u>	<u>\$ 3,316,397</u>	<u>\$ 5,874,740</u>	<u>\$ 11,822</u>	<u>\$ 17,834,961</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 35,966	\$ 14,319	\$ 38,848	\$ -	\$ -	\$ 89,133
Salaries Payable	204,145	454,490	185,904	-	49	844,588
Accrued Liabilities	220,157	414,667	180,890	-	397	816,111
Unearned Revenue	3,048,346	3,772	150,350	-	-	3,202,468
Due to Other School Districts	-	191,375	-	-	-	191,375
Total Liabilities	<u>3,508,614</u>	<u>1,078,623</u>	<u>555,992</u>	<u>-</u>	<u>446</u>	<u>5,143,675</u>
<b>Fund Balances</b>						
Nonspendable Inventory	6,537	6,537	37,831	-	-	50,905
Nonspendable Prepaid Expenditures	93,840	64,412	32,728	-	35	191,015
Restricted for Fund Purposes	-	2,805,652	2,689,846	-	-	5,495,498
Restricted for Food Service	-	-	-	-	11,318	11,318
Restricted for Debt Service	-	-	-	-	23	23
Assigned for General Fund	-	-	-	232,773	-	232,773
Assigned for Special Ed Fund	-	-	-	1,970,455	-	1,970,455
Assigned for Career Tech Fund	-	-	-	2,812,696	-	2,812,696
Assigned for NCATS Fund	-	-	-	858,816	-	858,816
Unassigned	1,067,787	-	-	-	-	1,067,787
Total Fund Balances	<u>1,168,164</u>	<u>2,876,601</u>	<u>2,760,405</u>	<u>5,874,740</u>	<u>11,376</u>	<u>12,691,286</u>
Total Liabilities and Fund Balances	<u>\$ 4,676,778</u>	<u>\$ 3,955,224</u>	<u>\$ 3,316,397</u>	<u>\$ 5,874,740</u>	<u>\$ 11,822</u>	<u>\$ 17,834,961</u>

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total Governmental Fund Balances	\$	12,691,286
----------------------------------	----	------------

Total Net Position reported for governmental activities in the statement of Net Position are different from the amount reported as total governmental funds fund balance because:

An internal service fund is used by management to charge the cost of certain activities, such as administrative services, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.

Net Position of governmental activities accounted for in the internal service fund		251,425
--	--	---------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of Net Position:

Governmental capital assets	\$ 28,349,993	
Governmental accumulated depreciation	<u>(13,083,643)</u>	15,266,350

Governmental funds report actual pension and OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension and OPEB liabilities as of the measurement date. Pension and OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension and OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	6,640,107	
Deferred inflows of resources related to pensions	(1,877,322)	
Deferred outflows of resources related to OPEB	2,234,504	
Deferred inflows of resources related to OPEB	<u>(3,850,829)</u>	3,146,460

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of Net Position that are not reported in the funds balance sheet are:

Compensated absences payable		(85,754)
Bonds payable		(450,000)
Net pension liability		(31,517,541)
Net OPEB liability		<u>(4,957,425)</u>

Total Net Position - Governmental Activities	\$	<u><u>(5,655,199)</u></u>
--	----	---------------------------

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

	General	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Local Sources	\$ 1,587,806	\$ 4,649,513	\$ 4,729,961	\$ 24,040	\$ (86)	\$ 10,991,234
State Sources	4,267,527	3,472,852	1,185,228	-	2,016	8,927,623
Federal Sources	529,952	2,410,617	124,678	-	65,442	3,130,689
Interdistrict Sources	151,270	26,694	108,000	-	-	285,964
Total Revenues	6,536,555	10,559,676	6,147,867	24,040	67,372	23,335,510
<b>Expenditures</b>						
Instruction	2,011,238	1,548,864	2,940,212	-	-	6,500,314
Support Services:					-	
Pupil Services	319,756	4,346,688	244,276	-	-	4,910,720
Instructional Staff Services	839,267	616,577	448,692	-	-	1,904,536
General Administration Services	475,792	23,052	6,863	-	-	505,707
School Administration Services	-	-	202,686	-	-	202,686
Business Services	564,138	74,499	50,361	-	386	689,384
Operations & Maintenance	738,406	308,049	533,255	-	-	1,579,710
Pupil Transportation	120,703	-	2,226	-	-	122,929
Central Services	515,796	136,106	264,730	-	777	917,409
Other Support Services	-	-	32,822	-	-	32,822
Community Services	951,989	24,695	46,981	-	-	1,023,665
Food Services	-	-	-	-	64,277	64,277
Facilities Acquisition	42,530	-	-	71,739	-	114,269
Debt Service	-	-	-	-	156,075	156,075
Transfers to Other School Districts	-	1,880,967	-	-	-	1,880,967
Transfers to Other Entities	353,341	-	-	-	-	353,341
Total Expenditures	6,932,956	8,959,497	4,773,104	71,739	221,515	20,958,811
Excess Revenues Over (Under) Expenditures	\$ (396,401)	\$ 1,600,179	\$ 1,374,763	\$ (47,699)	\$ (154,143)	\$ 2,376,699

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Special Education</u>	<u>Career Tech</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	\$ 738,986	\$ -	\$ -	\$ 2,180,000	\$ 161,076	\$ 3,080,062
Operating Transfers Out	<u>(341,076)</u>	<u>(1,398,375)</u>	<u>(1,340,611)</u>	<u>-</u>	<u>-</u>	<u>(3,080,062)</u>
Total Other Financing Sources (Uses)	<u>397,910</u>	<u>(1,398,375)</u>	<u>(1,340,611)</u>	<u>2,180,000</u>	<u>161,076</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	1,509	201,804	34,152	2,132,301	6,933	2,376,699
<b>Fund Balances - July 1, 2020</b>	<u>1,166,655</u>	<u>2,674,797</u>	<u>2,726,253</u>	<u>3,742,439</u>	<u>4,443</u>	<u>10,314,587</u>
<b>Fund Balances - June 30, 2021</b>	<u><u>\$ 1,168,164</u></u>	<u><u>\$ 2,876,601</u></u>	<u><u>\$ 2,760,405</u></u>	<u><u>\$ 5,874,740</u></u>	<u><u>\$ 11,376</u></u>	<u><u>\$ 12,691,286</u></u>

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 2,376,699

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

An internal service fund is used by management to charge the costs of certain administrative costs to individual funds. The net change in the net position of the internal service funds are reported with governmental activities.

Net change in net position for internal service funds (64,656)

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of Net Position and allocated over their estimated useful lives as annual depreciation expense.

Capital outlay reported in governmental fund statements	\$ 301,042	
Depreciation expense reported in the statement of activities	(516,578)	
Amount by which capital outlays are greater (less) than depreciation in the current period:		(215,536)

Some expenses reported in the Statement of Activities, such as compensated absences and voluntary separation, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(Increase)/Decrease in compensated absences liability		(5,065)
Increase/(Decrease) in deferred outflows of resources related to pensions		(1,912,362)
(Increase)/Decrease in deferred inflows of resources related to pensions		545,392
(Increase)/Decrease in net pension liability		(498,469)
Increase/(Decrease) in deferred outflows of resources related to OPEB		231,764
(Increase)/Decrease in deferred inflows of resources related to OPEB		(1,151,620)
(Increase)/Decrease in net OPEB liability		1,758,710

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of Net Position and does not affect the statement of activities.

140,000

Change in Net Position - Governmental Activities \$ 1,204,857

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2021**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
<b>Assets</b>		
Current Assets		
Cash and Investments	\$ 3,959,127	\$ 235,423
Accounts Receivable	84,584	13,944
Prepaid Expenses	18,048	-
Total Current Assets	4,061,759	249,367
Noncurrent Assets		
Building Additions	88,494	-
Site Improvements	30,450	-
Vehicles	98,362	-
Furniture and Equipment	292,031	195,113
Less Accumulated Depreciation	(210,971)	(56,548)
Total Net Noncurrent Assets	298,366	138,565
Total Assets	4,360,125	387,932
<b>Deferred Outflows of Resources</b>		
Deferred Outflows of Resources Related to Pensions	497,194	-
Deferred Outflows of Resources Related to OPEB	192,683	-
Total Deferred Outflows of Resources	689,877	-
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	22,152	-
Salaries Payable	37,915	-
Accrued Liabilities	14,181	-
Current Portion Long-Term Debt	-	35,852
Total Current Liabilities	74,248	35,852
Noncurrent Liabilities		
Accrued Compensated Absences	30,543	-
Long-Term Debt	-	100,655
Net Pension Liability	2,509,936	-
Net OPEB Liability	346,696	-
Total Noncurrent Liabilities	2,887,175	100,655
Total Liabilities	2,961,423	136,507
<b>Deferred Inflows of Resources</b>		
Deferred Inflows of Resources Related to Pensions	136,046	-
Deferred Inflows of Resources Related to OPEB	345,118	-
Total Deferred Inflows of Resources	481,164	-
<b>Net Position</b>		
Net Investment in Capital Assets	298,366	138,565
Unrestricted	1,309,049	112,860
Total Net Position	\$ 1,607,415	\$ 251,425

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
STATEMENT OF REVENUES, EXPENSES AND CHANGE  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
<b>Operating Revenue</b>		
Local Revenues	\$ 3,662,601	\$ 82,172
<b>Operating Expenses</b>		
Support Services		
General Administration	9,087	-
Business Services	84,289	49,120
Operation & Maintenance	108,905	-
Central Services	2,687,026	53,321
Total Support Services	2,889,307	102,441
Total Expenses	2,889,307	102,441
Operating Income (Loss)	773,294	(20,269)
<b>Non-Operating Revenues (Expenses)</b>		
Depreciation Expense	(44,124)	(37,776)
Interest and Dividends	17,382	566
Interest Expense	-	(7,177)
Total Non-Operating Revenues (Expenses)	(26,742)	(44,387)
<b>Change in Net Position</b>	746,552	(64,656)
<b>Net Position - July 1, 2020</b>	860,863	316,081
<b>Net Position - June 30, 2021</b>	\$ 1,607,415	\$ 251,425

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 3,603,498	\$ 82,172
Cash Paid to Employees	(1,327,227)	-
Cash Paid to Suppliers	(1,454,402)	(116,246)
Net Cash Provided by Operating Activities	821,869	(34,074)
<b>Cash Flows from Financing Activities</b>		
Principal Payments on Long-Term Debt	-	(34,234)
Interest Expense	-	(7,177)
Net Cash (Used) by Financing Activities	-	(41,411)
<b>Cash Flows from Investing Activities</b>		
Purchases of Equipment / Building Additions	(78,794)	-
Interest and Dividends	17,382	566
Net Cash (Used) Provided by Investing Activities	(61,412)	566
<b>Net Increase (Decrease) in Cash and Investments</b>	760,457	(74,919)
<b>Cash and Cash Equivalents - July 1, 2020</b>	3,198,670	310,342
<b>Cash and Cash Equivalents - June 30, 2021</b>	\$ 3,959,127	\$ 235,423
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income	\$ 773,294	\$ (20,269)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Accounts Receivable	(59,103)	(13,805)
(Increase) Decrease in Prepaid Expenses	(812)	-
(Increase) Decrease in Deferred Outflows	165,322	-
Increase (Decrease) in Accounts Payable	(7,393)	-
Increase (Decrease) in Salaries Payables	8,020	-
Increase (Decrease) in Other Payroll Payables	497	-
Increase (Decrease) in Accrued Comp. Absences	6,381	-
Increase (Decrease) in Net Pension Liability	49,035	-
Increase (Decrease) in Net OPEB Liability	(173,008)	-
Increase (Decrease) in Deferred Inflows	59,636	-
Net Cash Provided by Operating Activities	\$ 821,869	\$ (34,074)

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**STATEMENT OF NET POSITION - FIDUCIARY FUND**  
**JUNE 30, 2021**

	<u>Custodial Fund</u>
<b>Assets</b>	
Cash	\$ 15,078
	<u>                    </u>
<b>Liabilities</b>	
Due to Other Organizations	\$ 15,078
	<u>                    </u>

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Custodial Fund</u>
<b>Additions</b>	
Other Income	\$ 20,243
<b>Deductions</b>	
Payments Made for Other Organizations	20,576
Change in Net Position	(333)
Net Position - July 1, 2020 - As Restated	15,411
Net Position - June 30, 2021	\$ 15,078

See Independent Auditor's Report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Newaygo County Regional Educational Service Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Agency's accounting policies are described below.

The Newaygo County Regional Educational Service Agency (the Agency) was organized under the School Code of the State of Michigan and services a population of about 7,500 students. The Agency is governed by an elected Board of Education consisting of five members and administered by a Superintendent who is appointed by the aforementioned Board. The Agency provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include special, vocational, and other cooperative educational programs to the six constituent school districts in the County of Newaygo. The accounting policies of the Newaygo County Regional Educational Service Agency conform to generally accepted accounting principles as applicable to school Agencies. The following is a summary of the more significant policies.

Scope of Reporting Entity

As required by accounting principles generally accepted in the United States of America (U.S. GAAP), these financial statements present the reporting entity of the Newaygo County Regional Educational Service Agency. The criteria identified in U.S. GAAP, including financial accountability, have been utilized in identifying the Agency's reporting entity which includes no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) present financial information about the Agency as a whole. The reported information includes all of the non-fiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Agency. Governmental activities normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. Taxes, State and County aid, and other items not included among program revenues are reported instead as general revenues.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Proprietary funds distinguish *operating* revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Newaygo County Advanced Technology Services Fund, and the government's internal service fund are charges to customers for sales and services. The Agency also recognizes as operating revenue the grants related to these funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

*Government-Wide Financial Statements* - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

*Fund Financial Statements* - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, State and County aid, and investment income 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. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues also arise when resources are received by the Agency before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

The Agency reports the following major governmental funds:

*General Fund* - The General Fund accounts for all resources used to finance Agency maintenance and operation except those required to be accounted for in other funds.

*Special Education Fund* - The Special Education Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for special education.

*Career Tech Fund* - The Career Tech Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for vocational education.

*Capital Projects Fund* - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities and equipment by the Agency.

*Non-Major Fund – Food Service Fund* - The Food Service Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for food service.

*Non-Major Fund - Debt Service Fund* - The Debt Service Fund is used to account for all of the debt of the Agency.

#### PROPRIETARY FUNDS

Proprietary funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet.

*Enterprise Funds* - Enterprise Funds are used to account for operations that (A) are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is to recover costs (including depreciation) of providing goods or services to the general public primarily through user charges; or (B) where the governing body has decided that the periodic determination of revenues earned, expenditures incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Agency reports the following major proprietary fund:

*Newaygo County Advanced Technology Services Fund* - The Newaygo County Advanced Technology Services Fund accounts for activities of the Newaygo County Advanced Technology Services Department. This department provides internet access to the Agency as well as local school districts and the general public.

Additionally, the Agency also reports the following fund types:

*Internal Service Fund* - The Internal Service Fund accounts for office services provided to other departments on a cost reimbursement basis (Office Services Fund).

*Fiduciary Fund* - The Fiduciary Fund accounts for the assets held by the Agency on behalf of others and includes the Student Activities Fund. This fund accounts for monies raised by students to finance student clubs and organizations.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

Deposits and Investments

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Agency intends to hold the investment until maturity. Investment income is composed of interest and net changes in the fair value of applicable investments and is included in other local revenue in the fund financial statements.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Allowances for doubtful accounts are not considered to be material for disclosure.

Property Taxes

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property's state equalized value (which approximates ½ actual value). However, the taxable valuation is limited to the lesser of a 5% increase or the rate of inflation as established by the State of Michigan from the previous year, while there is no limit to the increase in property values for state equalized valuation.

Inventories

Inventories are stated at cost using the first-in, first-out method. Inventories are recorded as expenditures when consumed in both the fund financial statements and the government-wide financial statements. Inventories are offset by a reserve of fund balance/net position.

Encumbrances

Encumbrance accounting is used for the General Fund, Special Education Fund, Career Tech Fund, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payment are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet during the year. Encumbrances lapse at the close of the fiscal year and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures when consumed.

Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Buildings and Building Additions	20-50 years
Site Improvements	20-25 years
Vehicles	5-10 years
Equipment and Furniture	5-20 years

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities on the Statement of Net Position.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows or 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.

Tax Abatements

The Agency's tax revenues have been reduced by various tax abatements. See Note R for more details on the tax abatements that affected current year property tax revenues.

Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Agency reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Agency's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Agency.

Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

Assigned - Includes amount a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Restricted sources are used first when an expenditure is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Estimates

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

Restricted Assets

The Agency has placed restrictions on a portion of their cash for the future payment of unemployment liabilities. These funds are not available for general operations.

Deferred Outflows of Resources

In addition to assets, the Statement of Net 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 Agency has both pension and OPEB items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net 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 Agency has both pension and OPEB items that qualify for reporting in this category.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the Agency be under budgetary control and that both budgeted and actual financial results do not incur a deficit. The Agency has also adopted budgets for all other funds, but has elected not to present them in a budget versus actual format. The Agency's Budget Appropriations Act must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from the Agency's Appropriations Act may occur without a corresponding amendment to the Appropriations Act.

The Agency has the ability to amend the Appropriations Act provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. The Agency may also permit the chief administrative or fiscal officer to execute transfers between line items, without prior approval of the Board of Education. The level of control is the function level. All appropriations lapse at the end of the fiscal year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

The Agency follows these procedures in establishing the budget data reflected in the financial statements:

1. Starting in February, administrative personnel and department heads work with the Superintendent of Schools to establish proposed operating budgets for the fiscal year commencing the following July 1.
2. In April, the proposed budgets are presented to and approved by the Agency's Board of Education.
3. In May, the general fund proposed budgets are presented to and voted on by the constituent district boards.
4. In June, the proposed budgets are presented at a public hearing to obtain taxpayer comments.
5. In June, the approved budgets are submitted to the Agency's Board of Education, who then adopt Appropriation Resolutions for the General, Special Revenue, Debt Service, Capital Projects, NCATS and Office Service Funds, setting forth the amounts of the proposed expenditure and the means of financing them.
6. The budgets are amended at periodic times during the year to comply with P.A. 621, and the amended budgets are enclosed in the financial statements.
7. Budgets for the General, Special Revenue, Debt Service, Capital Projects, NCATS and Office Service Funds are adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
8. PA 621 of 1978, section 18(1), as amended, provides that a school district shall not incur expenditures in excess of the amount appropriated.

The Agency had two instances where expenditures exceeded the revised budget for the year ended June 30, 2021:

Special Education Fund:

- Community Services exceeded its appropriations by \$784
- Transfers to Other School Districts exceeded its appropriations by \$48,653

Neither of these amounts are considered material to the overall financial statements.

**NOTE C – DEPOSITS AND INVESTMENTS**

As of June 30, 2021, the Agency had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Standard &amp; Poor's Rating</u>
Michigan Liquid Assets Fund *	\$ 854,679	N/A	AAAm
Michigan CLASS Pool	4,540,044	N/A	AAAm
Total Fair Value	<u>\$ 5,394,723</u>		

\* Securities are valued at amortized cost rather than fair value

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

The Agency voluntarily invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the Agency is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2021 the fair value of the Agency's investments is the same as the value of the pool shares. MILAF, as defined by the GASB, is recorded at amortized cost which approximates fair value. These funds are not subject to fair value disclosures.

The Agency also invests in the Michigan Cooperative Liquid Assets Securities System (Michigan CLASS) which is considered a local government investment pool of "qualified" investments for Michigan school districts. Michigan CLASS is not regulated nor is it registered with the SEC. Michigan CLASS reports as of June 30, 2021, the fair value of the Agency's investments is the same as the value of the pooled shares. Michigan CLASS does not meet all of the criteria to report investments at amortized cost, therefore, it is recorded at fair value and is subject to fair value measurement at level 2.

Fair Value Measurement - The Agency is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Agency's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset's and 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.

*Custodial credit risk* is the risk that, in the event of the failure of a financial institution, the Agency will not be able to recover its deposits. The Agency's investment policy does not specifically address custodial credit risk for deposits.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

As of June 30, 2021, \$12,240,847 of the Agency's bank balance of \$19,385,570 was exposed to custodial credit risk as follows:

Insured or Collateralized	\$ 1,750,000
Uninsured and Uncollateralized	12,240,847
Uninsured and collateral held by pledging bank's trust department not in Agency's name.	<u>5,394,723</u>
Total Bank Balance	<u><u>\$ 19,385,570</u></u>

*Credit Risk* - Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Agency's Michigan CLASS and Michigan Investment Liquid Asset Fund have ratings of AAAM from Standard & Poor's.

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

The Agency is authorized by Michigan law to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Depositories actively used by the Agency during the year are detailed as follows:

- |                      |                               |
|----------------------|-------------------------------|
| 1. Huntington Bank   | 5. Michigan Liquid Asset Fund |
| 2. TCF National Bank | 6. Michigan CLASS             |
| 3. Independent Bank  | 7. ChoiceOne Bank             |
| 4. Horizon Bank      | 8. Flagstar Bank              |

**NOTE D - INVENTORY**

The method for valuing inventories is included as part of Note A - Summary of Significant Accounting Policies. Following is a schedule of the basic components in ending inventory:

	General Fund	Special Education Fund	Career Tech Fund	Total
Inventory	<u>\$ 6,537</u>	<u>\$ 6,537</u>	<u>\$ 37,831</u>	<u>\$ 50,905</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE E - RECEIVABLES AND UNEARNED REVENUE**

Receivables

Receivables, net of allowance for uncollectibles, as of the year ended June 30, 2021 for the Agency's individual major funds and non-major and internal service funds in the aggregate are as follows:

	<u>Accounts Receivable</u>	<u>Due from Other Govt's</u>	<u>Total Receivables</u>
General Fund	\$ 124,411	\$ 1,078,030	\$ 1,202,441
Special Education Fund	3,664	1,074,751	1,078,415
Career Tech Fund	-	228,068	228,068
Non-Major Governmental Funds	-	172	172
NCATS Fund	84,584	-	84,584
Office Service Fund	<u>13,944</u>	<u>-</u>	<u>13,944</u>
 Total	 <u>\$ 226,603</u>	 <u>\$ 2,381,021</u>	 <u>\$ 2,607,624</u>

Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2021, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Grant draw downs prior to meeting all eligibility requirements	
General Fund	\$ 3,048,346
Special Education	3,772
Career Tech	<u>150,350</u>
 Total	 <u>\$ 3,202,468</u>

The grants included in the unearned category are primarily local and state funding sources. Federal grants are typically drawn down on a reimbursement basis only.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund Receivables/Payables

There were no amounts receivable or payables between funds at June 30, 2021.

Transfers

		Transfers To				Total
		General Fund	Capital Projects Fund	Food Service Fund	Debt Service Fund	
Transfers From	General Fund	\$ -	\$ 180,000	\$ 5,000	\$ 156,076	\$ 341,076
	Special Education Fund	398,375	1,000,000	-	-	1,398,375
	Career Tech Fund	340,611	1,000,000	-	-	1,340,611
	Total	<u>\$ 738,986</u>	<u>\$ 2,180,000</u>	<u>\$ 5,000</u>	<u>\$ 156,076</u>	<u>\$ 3,080,062</u>

Transfers into the General Fund in the amount of \$738,986 were for the indirect cost charges of the Special Education Fund and Career Tech Fund.

The General Fund, Special Education Fund, and Career Tech Fund transferred funds to the Capital Projects Fund to be used toward future capital improvements. The General Fund transferred funds to the Debt Retirement Fund to help meet current debt retirement obligation and the Food Service Fund to help meet the current needs.

*This section intentionally left blank*

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE G - CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2021 follows:

	Balance 6/30/20	Additions	Deletions/ Adjustments	Balance 6/30/21
<b>Governmental-Type Activities</b>				
Capital Assets not being depreciated				
Land	\$ 781,575	\$ -	\$ -	\$ 781,575
Capital Assets Being Depreciated				
Site Improvements	2,787,378	-	-	2,787,378
Buildings	10,586,058	10,411	-	10,596,469
Building Additions	10,459,945	126,163	-	10,586,108
Equipment and Furniture	3,473,467	111,069	102,671	3,481,865
Vehicles	293,177	53,399	34,865	311,711
Totals at Historical Cost	<u>27,600,025</u>	<u>301,042</u>	<u>137,536</u>	<u>27,763,531</u>
Less Accumulated Depreciation for				
Site Improvements	2,549,333	14,835	-	2,564,168
Buildings	3,781,255	167,894	-	3,949,149
Building Additions	3,370,355	197,051	-	3,567,406
Equipment and Furniture	2,799,361	159,686	102,671	2,856,376
Vehicles	223,069	14,888	34,865	203,092
Total Accumulated Depreciation	<u>12,723,373</u>	<u>554,354</u>	<u>137,536</u>	<u>13,140,191</u>
Net Capital Assets being depreciated	<u>14,876,652</u>	<u>855,396</u>	<u>275,072</u>	<u>14,623,340</u>
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$ 15,658,227</u>	<u>\$ 855,396</u>	<u>\$ 275,072</u>	<u>\$ 15,404,915</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Building Additions	\$ 88,494	\$ -	\$ -	\$ 88,494
Site Improvements	30,450	-	-	30,450
Vehicles	98,362	-	-	98,362
Equipment and Furniture	213,237	78,794	-	292,031
Totals at Historical Cost	<u>430,543</u>	<u>78,794</u>	<u>-</u>	<u>509,337</u>
Less Accumulated Depreciation for				
Building Additions	10,608	8,848	-	19,456
Site Improvements	3,339	1,034	-	4,373
Vehicles	29,387	12,295	-	41,682
Equipment and Furniture	123,513	21,947	-	145,460
Total Accumulated Depreciation	<u>166,847</u>	<u>44,124</u>	<u>-</u>	<u>210,971</u>
Total Business-Type Activities				
Capital Assets - Net of Depreciation	<u>\$ 263,696</u>	<u>\$ 34,670</u>	<u>\$ -</u>	<u>\$ 298,366</u>

Depreciation expense was charged to governmental functions as follows:

Instruction - Vocational Education/Special Education	\$ 358,484
Operation and Maintenance	<u>195,870</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 554,354</u>

See Independent Auditor's Report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE H - GENERAL LONG-TERM OBLIGATIONS**

Governmental Activities

The long-term obligations includes bonds payable, capital leases, and vacation and termination pay. Since none of this debt will be retired with current operating resources, they are appropriately included in the non-current liabilities. All items will be recorded as an expenditure of the year in which they are paid.

The following is a summary of governmental-type and business-type activities long-term obligations of the Agency for the year ended June 30, 2021:

	General Obligation Bonds	Direct Borrowings and Direct Placements	Compensated Absences	Total
Governmental Activities:				
Balance at July 1, 2020	\$ 590,000	\$ 170,741	\$ 80,689	\$ 841,430
Additions	-	-	130,754	130,754
Deletions	140,000	34,234	125,689	299,923
Balance at June 30, 2021	450,000	136,507	85,754	672,261
Due Within one year	145,000	35,852	-	180,852
Due in more than one year	<u>\$ 305,000</u>	<u>\$ 100,655</u>	<u>\$ 85,754</u>	<u>\$ 491,409</u>
Business-Type Activities:				
Balance at July 1, 2020	\$ -	\$ -	\$ 24,162	\$ 24,162
Additions	-	-	49,571	49,571
Deletions	-	-	43,123	43,123
Balance at June 30, 2021	-	-	30,610	30,610
Due Within one year	-	-	-	-
Due in more than one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,610</u>	<u>\$ 30,610</u>

*This section intentionally left blank*

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Governmental Activities:

2014 Vocational Education Building and Site Bond due in annual installments of \$145,000 to \$155,000 through May 1, 2024 with an interest rate of 2.50 - 3.00%

\$ 450,000

Installment purchase agreement for a copier and printer in the amount of \$184,546 due in monthly installments of \$3,451 through January 10, 2025 with an interest rate of 4.625%

136,507

Compensated Absences

85,754

\$ 672,261

Business-Type Activities:

Compensated Absences

\$ 30,610

Debt requirements at June 30, 2021 were as follows:

Governmental Activities:

	<u>General Obligation Bonds</u>		<u>Direct Placement and Direct Borrowings</u>		<u>Compensated Absences</u>	<u>Amounts Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
Year Ending June 30,						
2022	\$ 145,000	\$ 12,776	\$ 35,852	\$ 5,560	\$ -	\$ 199,188
2023	150,000	9,150	37,546	3,866	-	200,562
2024	155,000	4,650	39,320	2,092	-	201,062
2025	-	-	23,789	368	-	24,157
Compensated Absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	85,754	85,754
	<u>\$450,000</u>	<u>\$26,576</u>	<u>\$136,507</u>	<u>\$11,886</u>	<u>\$ 85,754</u>	<u>\$ 710,723</u>

Business-Type Activities:

Compensated Absences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,610</u>	<u>\$ 30,610</u>
----------------------	-------------	-------------	-------------	-------------	------------------	------------------

See Independent Auditor's Report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE I - PROPERTY TAXES**

Properties are assessed as of December 31, and the related taxes become a lien on December 1 of the following year. These taxes are due on September 10 and February 14 with the final collection date of February 28 before they are added to the county tax rolls. The taxes are collected and remitted to the Agency by the treasurers of the various governmental entities covered by the Agency. The counties of Newaygo, Muskegon, Oceana and Kent through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the Agency each year.

**NOTE J - PENSION PLAN**

**Plan Description**

The Michigan Public School Employees' Retirement System (MPERS) 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](http://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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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 September 30, 2019 valuation will be amortized over a 19 year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summaries pension contribution rates in effect for the fiscal year 2020.

**Pension Contribution Rates**

Benefit Structure	Member	Employer
Basic	0.00 - 4.00%	19.41%
Member Investment Plan	3.00 - 7.00%	19.41%
Pension Plus	3.00 - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from Newaygo County Regional Educational Service Agency were \$2,722,241 for the year ended September 30, 2020.

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

At June 30, 2021, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$34,027,477 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. The Agency'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, 2020, the Agency's proportion was 0.09905793 percent, which was a decrease of 0.00203921 percent from its proportion measured as of September 30, 2019.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

For the year ended June 30, 2021, the Agency recognized pension expense of \$4,827,200. At June 30, 2021, the Agency 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	\$ 519,912	\$ 72,627
Changes of assumptions	3,770,572	-
Net difference between projected and actual earnings on pension plan investments	142,968	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	35,362	649,307
Agency section 147c revenue related to pension contributions subsequent to the measurement date	-	1,291,434
Agency contributions subsequent to the measurement date	2,668,487	-
Total	<u>\$7,137,301</u>	<u>\$2,013,368</u>

Contributions subsequent to the measurement date are 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, 2021. Other amounts 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	Amount
June 30	
2021	\$ 1,812,377
2022	1,195,463
2023	571,838
2024	167,202

**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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Actuarial Assumptions:

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	6.80% of net investment expenses
-Pension Plus Plan (Hybrid):	6.80% of net investment expenses
-Pension Plus Plan (Hybrid):	6.00% of net 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 Combine 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 Combine Healthy 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 periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: 4.4892.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.60%
Private Equity Pools	16.00%	9.30%
International Equity	15.00%	7.40%
Fixed Income Pools	10.50%	50.00%
Real Estate and Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	9.00%	3.20%
Real Return/Oppportunistic Pools	12.50%	6.60%
Short Term Investment Pools	<u>2.00%</u>	10.00%
Total	<u>100.00%</u>	

- Long-term rates of return are net of administrative expenses and 2.30% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. 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 6.80% was used to measure the total pension liability (6.80% 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 6.80% (7.00% 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

The following presents the Agency’s proportionate share of the net pension liability, calculated using a discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 44,042,796	\$ 34,027,477	\$ 25,727,009

\* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**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 at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Pension Plan**

The amount of payables to a defined benefit pension plan outstanding at the end of the reporting period were \$33,674. The payables were based upon the wages being paid over the period from July 1 through August 31, 2021 which were for services provided prior to June 30, 2021 and therefore legally required contributions to the pension plan.

**NOTE K – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

The Michigan Public School Employees' Retirement System (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](http://www.michigan.gov/orsschools).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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 premiums 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 and 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 January 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 September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Employer OPEB 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 September 30, 2019 valuation will be amortized over a 19 year period beginning October 1, 2019 and ending September 30, 2038.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2020.

**OPEB Contribution Rates**

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.09%
Pers. Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from Newaygo County Regional Educational Service Agency were \$699,516 for the year ended September 30, 2020.

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

At June 30, 2021, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$5,304,121 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. The Agency'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, 2020, the Agency's proportion was 0.09900797 percent, which was a decrease of 0.00180133 percent from its proportion measured as of October 1, 2019.

For the year ended June 30, 2021, the Agency recognized OPEB expense of \$192,046. At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$3,952,066
Changes of assumptions	1,748,874	-
Net difference between projected and actual earnings on OPEB plan investments	44,269	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	33,908	243,881
Agency contributions subsequent to the measurement date	600,136	-
Total	\$2,427,187	\$4,195,947

See Independent Auditor's Report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2021**

Contributions subsequent to the measurement date are 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, 2021. Other amounts as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ending June 30	Amount
2021	\$ (631,662)
2022	(570,243)
2023	(478,212)
2024	(388,349)
2025	\$ (300,430)

**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.

*This section intentionally left blank*

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Actuarial Assumptions:

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.95% net of investment expenses
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% year 16

Mortality: Retirees: RP-2014 Male and Female Combine 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 Combine Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.

Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

**Notes:**

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: 5.6018.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

See Independent Auditor's Report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.00%	5.60%
Private Equity Pools	16.00%	9.30%
International Equity	15.00%	7.40%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	4.90%
Absolute Return Pools	12.50%	3.20%
Reak Return/Oppportunistic Pools	9.00%	6.60%
Short Term Investment Pools	2.00%	-0.10%
Total	<u>100.00%</u>	

**Rate of Return**

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. 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 6.95% 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 6.95%. 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 6,813,747	\$ 5,304,121	\$ 4,033,143

**Sensitivity of the Agency's Proportionate Share of the Net OPEB liability to Changes to Healthcare Cost Trend Rate**

The following presents the Agency's proportionate share of the net OPEB liability, calculated using assumed trend rates, as well as what the Agency'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
\$ 3,984,480	\$ 5,304,121	\$ 6,805,051

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

The amount of payables to a defined benefit OPEB plan outstanding at the end of the reporting period were \$144,548. The payables were based upon the wages being paid over the period from July 1 through August 31, 2021 which were for services provided prior to June 30, 2021 and therefore legally required contributions to the OPEB plan.

**NOTE L - LEASE AGREEMENTS**

Lease Agreement - The Arts Center for Newaygo County

On August 1, 2013, the Newaygo County Regional Educational Service Agency ("Lessor") and the Arts Center for Newaygo County ("Lessee") entered into a lease for approximately 1.94 acres of land for a term of 99 years for a sum of \$1 for the term. The Lessee constructed a building on this land to be used for a performing arts center.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Lease Agreement - Baker College

On September 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and Baker College ("Lessee") entered into a lease for five (5) classrooms and two (2) labs in the instructional wings at the Regional Center for AgriScience and Career Advancement building. The facilities are used to deliver classes to the community in Newaygo County which will lead to an associated, baccalaureate or master's degree. A lease payment of \$7,500 per month will be payable to the Lessor on a schedule that is mutually agreeable to the parties. On June 13, 2018, Lessee provided written notice of termination effective August 31, 2020.

Lease Agreement - The Gerber Foundation

On April 7, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and the Gerber Foundation ("Lessee") entered into a lease for one office suite with two private offices for a term of ten (10) years beginning on January 1, 2016 for the sum of \$1,500 per month. The primary term of this lease begins on January 1, 2016 through December 31, 2025 and shall continue from year to year thereafter unless proper notification of termination is served.

Lease Agreement - Muskegon Community College

On November 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and Muskegon Community College ("Lessee") entered into a lease for office space. The initial term of the lease commences November 1, 2015 and terminates August 31, 2035. The lease for the year ended June 30, 2020 consisted of office space with rent due at \$1,091 per month, classrooms with rent due at \$15 per half day and labs at \$25 per half day.

Lease Agreement - County of Newaygo

On September 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and the County of Newaygo ("Lessee") entered into a lease for two offices, one receptionist space, and up to 8 hours of classroom space at the Regional Center for AgriScience and Career Advancement building. A lease payment of \$1,656 per month will be payable by the first day of each month. The monthly payment may be reduced by the cost of the part-time receptionist position which is costs \$992. This agreement was renewed in September 2020 and is renewable annually.

Lease Agreement – Harvest Fremont

On July 1, 2021, the Newaygo County Regional Educational Service Agency (“Lessor”) and Harvest Fremont (“Lessee”) entered into a Facility Use Agreement for exclusive use of certain defined rooms within the Regional Center for AgriScience and Career Advancement building. A lease payment of \$150,000 for the period will be due within three business days of July 1, 2021. The term of this agreement begins on July 1, 2021 through August 1, 2022.

Lease Agreement – The Auto Group d/b/a Fremont Insurance Company

On May 20, 2016, the Newaygo County Regional Educational Service Agency ("Lessor") and The Auto Group ("Lessee") entered into a lease for office space at the Educational Service Center for the southwest suite for the term of five years. A lease payment of \$10,000 per month in advance for the period of July 1, 2016 through June 30, 2021 after which the Lessee has the option to renew the lease for one additional term of five years. On August 28, 2018, the Lessor and Lessee signed an agreement increasing the square feet of leased space and increased the lease payment to \$15,460 per month in advance for the period of October 1, 2018 through June 30, 2021.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Lease Agreement – The Disability Network of West Michigan

On December 1, 2019, the Newaygo County Regional Educational Service Agency ("Lessor") and the Disability Network of West Michigan ("Lessee") entered into a lease agreement for one office space at the Regional Center for AgriScience and Career Advancement building for the term of five years. A lease payment of \$250 per month will be due on the first day of the month. Additional classrooms and spaces will be available for lease on a per usage rate.

Lease Agreement – Women’s Information Service Agency, Inc.

On March 1, 2020, the Newaygo County Regional Educational Service Agency ("Lessor") and the Women’s Information Service Agency, Inc. (WISE) ("Lessee") entered into a lease agreement for one office space at the Regional Center for AgriScience and Career Advancement building for the term of five years. A lease payment of \$150 per month will be due on the first day of the month. Additional classrooms and spaces will be available for lease on a per usage rate.

**NOTE M - RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School Agency carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE N - CASH FLOWS**

Cash paid for interest by the Agency for the proprietary funds was \$7,177, which equals the interest expense and the total interest incurred for the year.

**NOTE O - SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2021, through October the date these financial statements were available to be issued. The Agency made the following purchases subsequent to year end:

- Mobile Laptops in the amount of \$41,743
- Literacy books for the preschool program in the amount of \$88,788

**NOTE P – COMMITMENTS AND CONTINGENCIES**

On June 28, 2021 the Agency committed to the sale of the Regional Center for AgriScience and Career Advancement building in an estimated amount of \$2.4 million. The closing date has been set for August 1, 2022.

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Agency.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE Q - UNCERTAINTY**

The coronavirus (COVID-19) pandemic, whose effects first became known in January 2020, is having a broad and negative impact on the commerce and financial markets around the world. The extent of the impact of COVID-19 on the Agency's operational and financial performance will depend on various developments, including the curation and spread of the outbreak and its impacts on the Agency's employees, vendors, and taxpayers, all of which at present, cannot be reasonably determined. Accordingly, the extent to which COVID-19 may impact the Agency's financial position and changes in fund balance and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

**NOTE R – TAX ABATEMENTS**

The Agency received reduced property tax revenues as a result of Industrial Facilities tax exemptions, Brownfield tax exemptions, and Payments in Lieu of Taxes (PILOT) granted by the Cities of Fremont and White Cloud. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield exemptions are intended to promote revitalization, redevelopment, and reuse of certain property; and PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds totaled approximately \$28,000 for the year ended June 30, 2021.

Due to the Agency being an "in –formula" District, taxes abated on the tax roll for the Special Education and Vocational Education funds are considered during the State's determination of state school aid funding under Sections 56 and 62. The Agency has made no tax abatements itself.

**NOTE S – NEW ACCOUNTING STANDARD**

For the year ended June 30, 2021, the Agency implemented GASB Statement No. 84, *Fiduciary Activities*.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

The Agency restated the beginning fund balance and net position as following:

	Fund Balance	
	Career Tech	Center Fund
Fund Balance as of July 1, 2020, As Previously Stated	\$ 2,662,876	
Adoption of GASB Statement 84	63,377	
Fund Balance as of July 1, 2020	\$ 2,726,253	

  

	Net Position	
	Governmental Activities	Custodial Fund
Net Position as of July 1, 2020, As Previously Stated	\$ (6,923,433)	\$ 78,788
Adoption of GASB Statement 84	63,377	(63,377)
Fund Balance as of July 1, 2020	\$ (6,860,056)	\$ 15,411

**NOTE T – UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of a governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the Agency’s 2021-2022 fiscal year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local Sources	\$ 1,730,225	\$ 2,061,672	\$ 1,587,806	\$ 331,447	\$ (473,866)
State Sources	5,249,200	6,035,620	4,267,527	786,420	(1,768,093)
Federal Sources	387,765	620,300	529,952	232,535	(90,348)
Interdistrict Sources	113,296	163,353	151,270	50,057	(12,083)
<b>Total Revenues</b>	<b>7,480,486</b>	<b>8,880,945</b>	<b>6,536,555</b>	<b>1,400,459</b>	<b>(2,344,390)</b>
<b>Expenditures</b>					
Instruction	2,181,366	2,780,143	2,011,238	(598,777)	768,905
Support Services					
Pupil Services	673,064	751,438	319,756	(78,374)	431,682
Instructional Staff Services	1,221,842	1,386,164	839,267	(164,322)	546,897
General Administration Services	554,404	551,027	475,792	3,377	75,235
Business Services	580,662	619,254	564,138	(38,592)	55,116
Operations & Maintenance	715,548	850,420	738,406	(134,872)	112,014
Pupil Transportation	114,456	128,201	120,703	(13,745)	7,498
Central Services	551,600	610,411	515,796	(58,811)	94,615
Community Services	1,048,555	1,310,389	951,989	(261,834)	358,400
Transfers to Other Entities	411,158	469,815	353,341	58,657	116,474
<b>Total Expenditures</b>	<b>8,052,655</b>	<b>9,507,262</b>	<b>6,932,956</b>	<b>(1,454,607)</b>	<b>2,574,306</b>
Excess of Revenues (Under) Over Expenditures	(572,169)	(626,317)	(396,401)	(54,148)	229,916
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	750,204	788,626	738,986	38,422	(49,640)
Operating Transfers Out	(178,775)	(196,076)	(341,076)	(17,301)	(145,000)
<b>Total Other Financing Sources (Uses)</b>	<b>571,429</b>	<b>592,550</b>	<b>397,910</b>	<b>21,121</b>	<b>(194,640)</b>
<b>Net Change in Fund Balances</b>	<b>(740)</b>	<b>(33,767)</b>	<b>1,509</b>	<b>(33,027)</b>	<b>35,276</b>
<b>Fund Balances - July 1, 2020</b>	<b>1,166,655</b>	<b>1,166,655</b>	<b>1,166,655</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - June 30, 2021</b>	<b>\$ 1,165,915</b>	<b>\$ 1,132,888</b>	<b>\$ 1,168,164</b>	<b>\$ (33,027)</b>	<b>\$ 35,276</b>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
	<b>Revenues</b>				
Local Sources	\$ 4,440,746	\$ 4,623,250	\$ 4,649,513	\$ 182,504	\$ 26,263
State Sources	3,044,168	3,436,321	3,472,852	392,153	36,531
Federal Sources	2,706,412	2,815,617	2,410,617	109,205	(405,000)
Interdistrict Sources	8,240	28,750	26,694	20,510	(2,056)
<b>Total Revenues</b>	<b>10,199,566</b>	<b>10,903,938</b>	<b>10,559,676</b>	<b>704,372</b>	<b>(344,262)</b>
<b>Expenditures</b>					
Instruction	1,929,408	1,868,515	1,548,864	60,893	319,651
Support Services					
Pupil Services	4,935,803	4,762,578	4,346,688	173,225	415,890
Instructional Staff Services	749,704	696,031	616,577	53,673	79,454
General Administration Services	62,770	62,873	23,052	(103)	39,821
Business Services	105,547	101,038	74,499	4,509	26,539
Operations & Maintenance	317,158	414,924	308,049	(97,766)	106,875
Pupil Transportation	6,200	4,200	-	2,000	4,200
Central Services	139,938	146,551	136,106	(6,613)	10,445
Community Services	20,126	23,911	24,695	(3,785)	(784)
Transfers to Other School Dist.	1,804,373	1,832,314	1,880,967	27,941	(48,653)
<b>Total Expenditures</b>	<b>10,071,027</b>	<b>9,912,935</b>	<b>8,959,497</b>	<b>158,092</b>	<b>953,438</b>
Excess of Revenue (Under) Over Expenditures	128,539	991,003	1,600,179	862,464	609,176
<b>Other Financing Sources (Uses)</b>					
Operating Transfers Out	(630,939)	(925,066)	(1,398,375)	(294,127)	(473,309)
<b>Net Change in Fund Balances</b>	<b>(502,400)</b>	<b>65,937</b>	<b>201,804</b>	<b>568,337</b>	<b>135,867</b>
<b>Fund Balances - July 1, 2020</b>	<b>2,674,797</b>	<b>2,674,797</b>	<b>2,674,797</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - June 30, 2021</b>	<b>\$ 2,172,397</b>	<b>\$ 2,740,734</b>	<b>\$ 2,876,601</b>	<b>\$ 568,337</b>	<b>\$ 135,867</b>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE FOR THE CAREER TECH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Original	Final		to Final	to Actual
<b>Revenues</b>					
Local Sources	\$ 4,597,892	\$ 4,793,091	\$ 4,729,961	\$ 195,199	\$ (63,130)
State Sources	1,365,956	1,179,115	1,185,228	(186,841)	6,113
Federal Sources	117,292	134,678	124,678	17,386	(10,000)
Interdistrict Sources	98,750	108,000	108,000	9,250	-
<b>Total Revenues</b>	<b>6,179,890</b>	<b>6,214,884</b>	<b>6,147,867</b>	<b>34,994</b>	<b>(67,017)</b>
<b>Expenditures</b>					
Instruction	3,565,651	3,429,265	2,940,212	136,386	489,053
Support Services					
Pupil Services	238,330	280,870	244,276	(42,540)	36,594
Instructional Staff Services	534,544	513,937	448,692	20,607	65,245
General Administration Services	15,617	12,311	6,863	3,306	5,448
School Administration Services	225,914	222,325	202,686	3,589	19,639
Business Services	92,075	90,741	50,361	1,334	40,380
Operations & Maintenance	652,361	680,259	533,255	(27,898)	147,004
Pupil Transportation	24,950	19,850	2,226	5,100	17,624
Central Services	251,631	280,674	264,730	(29,043)	15,944
Other Support Services	112,658	85,333	32,822	27,325	52,511
Community Services	46,963	52,600	46,981	(5,637)	5,619
Facilities Acquisition	7,500	7,500	-	-	7,500
<b>Total Expenditures</b>	<b>5,768,194</b>	<b>5,675,665</b>	<b>4,773,104</b>	<b>92,529</b>	<b>902,561</b>
Excess of Revenues Over Expenditures	411,696	539,219	1,374,763	127,523	835,544
<b>Other Financing Sources (Uses)</b>					
Operating Transfers Out	(1,069,265)	(1,113,560)	(1,340,611)	(44,295)	(227,051)
<b>Net Change in Fund Balances</b>	<b>(657,569)</b>	<b>(574,341)</b>	<b>34,152</b>	<b>83,228</b>	<b>608,493</b>
<b>Fund Balances - July 1, 2020</b>	<b>2,726,253</b>	<b>2,726,253</b>	<b>2,726,253</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - June 30, 2021</b>	<b>\$ 2,068,684</b>	<b>\$ 2,151,912</b>	<b>\$ 2,760,405</b>	<b>\$ 83,228</b>	<b>\$ 608,493</b>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. Agency's proportion of net pension liability (%)				0.099058%	0.101097%	0.102444%	0.10225%	0.10152%	0.10100%	0.09390%
B. Agency's proportionate share of net pension liability				\$ 34,027,477	\$ 33,479,974	\$ 30,793,988	\$ 26,496,967	\$ 25,328,439	\$ 24,670,237	\$ 20,683,941
C. Agency's covered-employee payroll				\$ 8,810,326	\$ 8,830,624	\$ 8,756,126	\$ 8,582,004	\$ 8,595,289	\$ 8,417,858	\$ 7,971,466
D. Agency's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)				386.22%	379.13%	351.69%	308.75%	294.68%	293.07%	259.47%
E. Plan fiduciary net position as a percentage of total pension liability				59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2020.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2020.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions				\$ 1,664,952	\$ 1,623,463	\$ 1,531,921	\$ 1,497,138	\$ 1,562,616	\$ 1,676,489	\$ 1,824,855
B. Contributions in relation to statutorily required contributions *				1,664,952	1,623,463	1,531,921	1,497,138	1,562,616	1,676,489	1,824,855
C. Contribution deficiency (excess)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Agency's covered-employee payroll				\$ 8,896,394	\$ 8,824,410	\$ 8,811,809	\$ 8,677,355	\$ 8,972,498	\$ 8,492,496	\$ 8,385,350
E. Contributions as a percentage of covered-employee payroll				18.71%	18.40%	17.39%	17.25%	17.42%	19.74%	21.76%

\* Contributions in relation to statutorily required contributions are the contributions the Agency actually made to MPSERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2020.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2020.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Agency's proportion of net OPEB liability (%)							0.09901%	0.10081%	0.10275%	0.10217%
B. Agency's proportionate share of net OPEB liability							\$ 5,304,121	\$ 7,235,838	\$ 8,167,836	\$ 9,047,996
C. Agency's covered-employee payroll (OPEB)							\$ 8,810,326	\$ 8,830,624	\$ 8,756,126	\$ 8,582,004
D. Agency's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)							60.20%	81.94%	93.28%	105.43%
E. Plan fiduciary net position as a percentage of total OPEB liability							59.44%	48.46%	42.95%	36.39%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2020.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2020.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS  
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN  
LAST 10 FISCAL YEARS (AMOUNTS DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required contributions							\$ 725,606	\$ 700,680	\$ 681,687	\$ 611,284
B. Contributions in relation to statutorily required contributions *							725,606	700,680	681,687	611,284
C. Contribution deficiency (excess)							\$ -	\$ -	\$ -	\$ -
D. Agency's covered-employee payroll							\$ 8,896,394	\$ 8,824,410	\$ 8,811,809	\$ 8,677,355
E. Contributions as a percentage of covered-employee payroll							8.16%	7.94%	7.74%	7.04%

\* Contributions in relation to statutorily required contributions are the contributions the Agency actually made to MPSERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2020.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2020.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021**

	Food Service	Debt Service	Total Non-Major Governmental Funds
<b>Assets</b>			
Cash/Investments	\$ 11,592	\$ 23	\$ 11,615
Due from Other Governmental Units	172	-	172
Prepaid Expenditures	35	-	35
Total Assets	\$ 11,799	\$ 23	\$ 11,822
<b>Liabilities and Fund Balances</b>			
Liabilities			
Salaries Payable	\$ 49	\$ -	\$ 49
Accrued Liabilities	397	-	397
Total Liabilities	446	-	446
Fund Balances			
Nonspendable Prepaid Expenditures	35	-	35
Restricted for Food Service	11,318	-	11,318
Restricted for Debt Service	-	23	23
Total Fund Balances	11,353	23	11,376
Total Liabilities and Fund Balances	\$ 11,799	\$ 23	\$ 11,822

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service	Debt Service	Total Non-Major Governmental Funds
<b>Revenues</b>			
Local Sources	\$ (86)	\$ -	\$ (86)
State Sources	2,016	-	2,016
Federal Sources	65,442	-	65,442
<b>Total Revenues</b>	<b>67,372</b>	<b>-</b>	<b>67,372</b>
<b>Expenditures</b>			
Support Services			
Business Services	386	-	386
Central Services	777	-	777
Food Services	64,277	-	64,277
Debt Service			
Principal Repayment	-	140,000	140,000
Interest And Other Charges	-	16,075	16,075
<b>Total Expenditures</b>	<b>65,440</b>	<b>156,075</b>	<b>221,515</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,932	(156,075)	(154,143)
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	5,000	156,076	161,076
<b>Net Change in Fund Balances</b>	<b>6,932</b>	<b>1</b>	<b>6,933</b>
<b>Fund Balances - July 1, 2020</b>	<b>4,421</b>	<b>22</b>	<b>4,443</b>
<b>Fund Balances - June 30, 2021</b>	<b>\$ 11,353</b>	<b>\$ 23</b>	<b>\$ 11,376</b>



**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 Governmental Auditing Standards**

To the Board of Education  
Newaygo County Regional Educational Service Agency (NC RESA)  
Fremont, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of NC RESA, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise NC RESA's basic financial statements, and have issued our report thereon dated October 7, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NC RESA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NC RESA's internal control. Accordingly, we do not express an opinion on the effectiveness of NC RESA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*H & S Companies, P.C.*

H & S Companies, P.C.  
Reed City, MI

October 7, 2021



**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Education  
Newaygo County Regional Educational Service Agency (NC RESA)  
Fremont, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited NC RESA's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NC RESA's major federal programs for the year ended June 30, 2021. NC RESA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of NC RESA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NC RESA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NC RESA's compliance.

**Opinion on Each Major Federal Program**

In our opinion, NC RESA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of NC RESA, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NC RESA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NC RESA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*H & S Companies, P.C.*

H & S Companies, P.C.  
Reed City, MI

October 7, 2021

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Adjustments and Transfers	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2021	Current Year Cash Transferred to a Subrecipient
<b><u>U.S. Department of Agriculture</u></b>										
Passed through Michigan Department of Agriculture										
Child & Adult Center Food Program	201920	10.558	\$ 71,832	\$ -	\$ 68,850	\$ -	\$ 2,982	\$ 2,982	\$ -	\$ -
Child & Adult Center Food Program	211920	10.558	58,681	-	-	-	58,681	58,681	-	-
CACFP-Cash-In-Lieu-Of Commodities	202010	10.558	4,113	-	3,890	-	224	224	-	-
CACFP-Cash-In-Lieu-Of Commodities	212010	10.558	3,555	-	-	-	3,555	3,555	-	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 138,181</b>	<b>\$ -</b>	<b>\$ 72,740</b>	<b>\$ -</b>	<b>\$ 65,442</b>	<b>\$ 65,442</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>U.S. Department of Education</u></b>										
Special Education Cluster -										
Passed through the Michigan Department of Education:										
Special Education - Grants to States										
Individuals with Disabilities Education Act (IDEA)-Flowthrough										
IDEA Flowthrough 18/19/H027A180110	190450	84.027A	2,113,220	65,430	201,333	-	-	65,430	-	-
IDEA Flowthrough 19/20/H027A190110-19A	200450	84.027A	2,117,517	624,838	1,822,465	-	295,052	915,678	4,212	-
IDEA Flowthrough 20/21/H027A200110	210450	84.027A	2,168,309	-	-	-	1,773,998	1,265,044	508,954	1,045,806
Individuals with Disabilities Education Act (IDEA)-Supervision									-	
General Supervision 19/20/H027A190110-19A	200493	84.027A	110,000	23,357	110,000	-	-	23,357	-	-
General Supervision 20/21/H027A200110	210493	84.027A	132,000	-	-	-	132,000	124,241	7,759	-
<b>Total IDEA Flowthrough</b>			<b>6,641,046</b>	<b>713,625</b>	<b>2,133,798</b>	<b>-</b>	<b>2,201,050</b>	<b>2,393,750</b>	<b>520,925</b>	<b>1,045,806</b>
Individuals with Disabilities Education Act (IDEA)-Preschool										
Preschool 20/21/H173A200117	210460	84.173A	101,450	483	-	-	101,450	101,933	-	-
<b>Total Special Education Cluster</b>			<b>6,742,496</b>	<b>714,108</b>	<b>2,133,798</b>	<b>-</b>	<b>2,302,500</b>	<b>2,495,683</b>	<b>520,925</b>	<b>1,045,806</b>
Direct Funding										
Small, Rural School Achievement	S358A194065	84.358A	32,655	7,804	26,431	-	6,224	14,028	-	-
Small, Rural School Achievement	S358A203646	84.358A	35,132	-	-	-	35,132	33,551	1,581	-
<b>Total Direct Funding - U.S. Department of Education</b>			<b>67,787</b>	<b>7,804</b>	<b>26,431</b>	<b>-</b>	<b>41,356</b>	<b>47,579</b>	<b>1,581</b>	<b>-</b>
Other Federal Awards:										
Passed through the Michigan Department of Education:										
Education for Homeless Children & Youth 19/20	202320	84.196A	114,448	18,803	53,248	-	21,230	40,033	-	-
Education for Homeless Children & Youth 20/21	212320	84.196A	102,554	-	-	-	27,639	17,152	10,487	-

See Independent Auditor's Report and accompanying notes to the financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Adjustments and Transfers	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2021	Current Year Cash Transferred to a Subrecipient
Total Education for Homeless Children & Youth			217,002	18,803	53,248	-	48,869	57,185	10,487	-
Special Education-Grants for Infants and Families with Disabilities										
Early On-Infant & Toddler 19/20/H181A190012	201340	84.181	85,891	16,637	79,152	-	-	16,637	-	-
Early On-Infant & Toddler 20/21/H181A200012	211340	84.181	88,802	-	-	-	72,036	61,053	10,983	-
Total Infant & Toddler			174,693	16,637	79,152	-	72,036	77,690	10,983	-
Governor's Emergency Education Relief										
Governor's Emergency Education Relief	201200	84.425	17,055	-	-	-	17,055	17,055	-	-
Early On - Governor's Emergency Education Relief	201230	84.425C	7,845	-	-	-	4,066	3,300	766	-
Total Governor's Emergency Education Relief			24,900	-	-	-	21,121	20,355	766	-
Total noncluster programs passed through the Michigan Department of Education			416,595	35,440	132,400	-	142,026	155,230	22,236	-
Passed through Copper Country ISD:										
Coronavirus Relief Funds										
CRF Device Purchasing/MiConnect		21.019	5,813	-	-	-	5,813	5,813	-	-
CRF Distance Learning Grants/MiConnect		21.019	45,850	-	-	-	45,850	45,850	-	-
Total noncluster programs passed through Copper Country ISD			51,663	-	-	-	51,663	51,663	-	-
Passed through MOISD:										
Secondary CTE Perkins Grant	V048A200022	84.048A	107,623	-	-	-	107,623	107,623	-	-
Total noncluster programs passed through MOISD			107,623	-	-	-	107,623	107,623	-	-
<b>Total U.S. Department of Education</b>			<b>\$ 7,386,164</b>	<b>\$ 757,352</b>	<b>\$ 2,292,629</b>	<b>\$ -</b>	<b>\$ 2,645,168</b>	<b>\$ 2,857,778</b>	<b>\$ 544,742</b>	<b>\$ 1,045,806</b>
<b>U.S. Department of Health &amp; Human Services</b>										
Direct Funding -										
Drug Free Communities 2020	2H79SP020369-06	93.276	125,000	(33,233)	54,452	-	70,548	31,554	5,761	-
Drug Free Communities 2021	2H79SP020369-06	93.276	125,000	-	-	-	44,428	-	44,428	-
Total Drug Free Communities			250,000	(33,233)	54,452	-	114,976	31,554	50,189	-

See Independent Auditor's Report and accompanying notes to the financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2020	(Memo Only) Prior Year Expenditures	Adjustments and Transfers	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2021	Current Year Cash Transferred to a Subrecipient
<b>Direct Funding -</b>										
CARA Local Drug Crises FY19	1H79SP080401-01	93.799	50,000	86	45,086	-	4,914	925	4,075	-
CARA Local Drug Crises FY20	1H79SP080401-01	93.799	50,000	-	-	-	50,000	5,768	44,232	-
Total Drug Free Communities			100,000	86	45,086	-	54,914	6,693	48,307	-
Total Direct Funding - U.S. Department of Health & Human Services			350,000	(33,147)	99,538	-	169,890	38,247	98,496	-
<b>Other Federal Awards:</b>										
<b>Passed through Michigan Department of Education</b>										
Preschool Development Grant Birth through Five (PDG B-5)										
Trusted Advisor Grant	203910	93.434	20,000	-	-	-	20,000	20,000	-	-
Trusted Advisor Grant	213910	93.434	25,000	-	-	-	1,284	759	525	-
Child Development and Care Block Grant (CARES)										
CARES - Child Care Relief		93.575	129,855	32,400	32,400	-	97,455	129,855	-	-
CARES - Child Care Relief (Disaster Relief)		93.575	18,135	18,135	18,135	-	-	18,135	-	-
<b>Total noncluster programs passed through Michigan Department of Education</b>			192,990	50,535	50,535	-	118,739	168,749	525	-
<b>Passed through Mid State Health Network:</b>										
Block Grant										
19/20	7040	93.959	70,000	2,937	45,298	-	24,702	27,639	-	-
20/21	7040	93.959	76,500	-	-	-	68,323	61,716	6,607	-
Total Block Grant			146,500	2,937	45,298	-	93,025	89,355	6,607	-
State Opioid Response (SOR) Grant										
19/20	N/A	93.788	7,500	467	467	(467)	-	-	-	-
20/21	N/A	93.788	3,750	-	-	-	2,344	-	2,344	-
Total SOR Grant			11,250	467	467	(467)	2,344	-	2,344	-
<b>Total noncluster programs passed through Mid State Health Network</b>			157,750	3,404	45,765	(467)	95,369	89,355	8,951	-
<b>Passed through Department of Community Health - State of Michigan:</b>										
Medicaid Outreach Program	N/A	93.778	36,081	9,000	36,322	-	36,081	27,081	18,000	-
<b>Total noncluster programs passed through Department of Community Health - State of Michigan</b>			36,081	9,000	36,322	-	36,081	27,081	18,000	-
<b>Total U.S. Department of Health &amp; Human Services</b>			\$ 736,821	\$ 29,792	\$ 232,160	\$ (467)	\$ 420,079	\$ 323,432	\$ 125,972	\$ -
<b>Total Federal Awards</b>			<b>\$ 8,261,166</b>	<b>\$ 787,144</b>	<b>\$ 2,597,529</b>	<b>\$ (467)</b>	<b>\$ 3,130,689</b>	<b>\$ 3,246,652</b>	<b>\$ 670,714</b>	<b>\$ 1,045,806</b>

See Independent Auditor's Report and accompanying notes to the financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
SCHEDULE OF FEDERAL ASSISTANCE PROVIDED TO SUBRECIPIENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Recipient	Federal CFDA Number	Subrecipient Award	Due to (from) Subrecipient July 1, 2020	(Memo Only) Prior Year Expenditures	Current Year Federal Expenditures	Current Year Cash Transferred	Due to (from) Subrecipient June 30, 2021
Special Education Cluster							
Fremont Public Schools							
Special Education - Grants to States							
IDEA Flowthrough 200450/1920	84.027A	\$ 283,997	\$ 13,509	\$ 283,997	\$ -	\$ 13,509	\$ -
IDEA Flowthrough 210450/2021	84.027A	289,539	-	-	289,539	232,893	56,646
Total Fremont Public Schools		<u>573,536</u>	<u>13,509</u>	<u>283,997</u>	<u>289,539</u>	<u>246,402</u>	<u>56,646</u>
Grant Public Schools							
Special Education - Grants to States							
IDEA Flowthrough 200450/1920	84.027A	247,835	49,421	247,835	-	49,421	-
IDEA Flowthrough 210450/2021	84.027A	257,368	-	-	257,368	209,342	48,026
Total Grant Public Schools		<u>505,203</u>	<u>49,421</u>	<u>247,835</u>	<u>257,368</u>	<u>258,763</u>	<u>48,026</u>
Hesperia Community Schools							
Special Education - Grants to States							
IDEA Flowthrough 200450/1920	84.027A	139,873	22,174	139,873	-	22,174	-
IDEA Flowthrough 210450/2021	84.027A	140,520	-	-	140,520	114,610	25,910
Total Hesperia Community Schools		<u>280,393</u>	<u>22,174</u>	<u>139,873</u>	<u>140,520</u>	<u>136,784</u>	<u>25,910</u>
Newaygo Public Schools							
Special Education - Grants to States							
IDEA Flowthrough 200450/1920	84.027A	230,952	36,465	230,952	-	36,465	-
IDEA Flowthrough 210450/2021	84.027A	239,364	-	-	239,364	202,936	36,428
Total Newaygo Public Schools		<u>470,316</u>	<u>36,465</u>	<u>230,952</u>	<u>239,364</u>	<u>239,401</u>	<u>36,428</u>
White Cloud Public Schools							
Special Education - Grants to States							
IDEA Flowthrough 200450/1920	84.027A	152,115	34,298	152,115	-	34,298	-
IDEA Flowthrough 210450/2021	84.027A	154,523	-	-	154,523	130,158	24,365
Total White Cloud Public Schools		<u>306,638</u>	<u>34,298</u>	<u>152,115</u>	<u>154,523</u>	<u>164,456</u>	<u>24,365</u>
Total Special Education Cluster		<u>2,136,086</u>	<u>155,867</u>	<u>1,054,772</u>	<u>1,081,314</u>	<u>1,045,806</u>	<u>191,375</u>
Total Subrecipients		<u>\$ 2,136,086</u>	<u>\$ 155,867</u>	<u>\$ 1,054,772</u>	<u>\$ 1,081,314</u>	<u>\$ 1,045,806</u>	<u>\$ 191,375</u>

See Independent Auditor's Report and accompanying notes to the financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Newaygo County Regional Educational Service Agency (NC RESA) under programs for the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of NC RESA, it is not intended to and does not present the financial position or changes in net position, or cash flows of NC RESA.

(2) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards:

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

(3) Reconciliation of Grant Auditor Report with Schedule of Expenditures of Federal Awards

Current cash payments per Cash Management System (CMS)	\$ 2,737,113
Add items not on CMS Report	
Rounding	1
Funds received through U.S. Department of Education	
Small, Rural School Achievement	47,579
Funds received through Copper Country Intermediate School District	
Coronavirus Relief Funds	51,663
Funds received through Mecosta Osceola Intermediate School District	
Carl Perkins	107,623
Funds received through U.S. Department of Health & Human Services	
Drug Free Communities	31,554
CARA	6,693
Funds received through Mid State Health Network	
Block Grant	89,355
Funds received through Michigan Department of Education	
CARES and CRF Funds	147,990
Funds received through Department of Community Health, Michigan	
Medicaid Outreach Program	27,081
Current year receipts (cash basis) per Schedule of Expenditures of Federal Awards	\$ 3,246,652

(4) The Agency has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(5) Reconciliation of Revenues with Expenditures of Federal Assistance Programs:

Revenues from Governmental Funds - Statement of Revenues, Expenditures and Change in Fund Balances	\$ 3,130,689
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 3,130,689

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021

**Findings**

*No Findings*

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

### Section I - Summary of Auditor's Results

#### *Financial Statements*

1. Type of auditor's report issued is unmodified
2. Internal control over financial reporting.
  - a. No material weaknesses were identified.
  - b. No significant deficiency was identified that is not considered to be a material weakness.
3. No noncompliance material to the financial statements noted.

#### *Federal Awards*

1. Internal control over major programs:
  - a. No material weaknesses were identified.
  - b. No significant deficiency (ies) were identified.
2. The type of auditor's report issued on compliance for major programs is unmodified
3. No audit findings were disclosed that are required to be reported in accordance with Uniform Guidance.
4. The program tested as a major program included:
  - U.S. Department of Education Special Education Cluster:
    - Special Education – Grants to States CFDA #84.027
    - Special Education – Preschool Grants CFDA #84.173
5. The threshold for distinguishing Types A and B programs was \$750,000.
6. Newaygo County Regional Educational Service Agency was determined to be a low risk auditee.

### Section II - Findings - Financial Statement Audit

*No Findings*

### Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

#### Department of Education - Special Education Cluster

*No Findings*