

**NEWAYGO COUNTY REGIONAL  
EDUCATIONAL SERVICE AGENCY**

**FREMONT, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### *Opinions*

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise NC RESA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NC RESA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Change in Accounting Principle*

As discussed in Note T to the financial statements, in the fiscal year ending June 30, 2022, the Agency adopted new accounting guidance, GASB No. 87 – *Leases*. Our opinions are not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

NC RESA's 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NC RESA's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NC RESA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NC RESA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

### ***Supplementary 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 17, 2022 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  
October 17, 2022

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. 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 \$(5,655,199) to \$(1,903,945).
- General revenues accounted for about \$14.5 million in governmental revenues, or 53% of all fiscal year 2022 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for about \$12.8 million or 47% of total fiscal year 2022 revenues. Total revenues increased over \$3.9 million from fiscal year 2021.
- The Agency had over \$23.6 million in expenses related to governmental activities; of which \$12.8 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 \$10.7 million costs of these programs. Total expenses, including business-type activities, increased by about \$1.6 million from fiscal year 2021.
- As one of the major funds for the Agency, the General Fund had approximately \$9.6 million in revenue which primarily consisted of state aid, federal grants, and property taxes, and approximately \$9.9 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 \$301,985.
- Another major fund for the Agency, the Special Education Fund, had over \$11.1 million in revenue. This revenue primarily consisted of federal grants, state aid, and property taxes. These revenues were spent between expenditures of over \$9.5 million and other financing uses (including transfers) of approximately \$880,000. The Special Education's fund balance increased by \$733,845 from 2021 to 2022.
- The Career Tech Fund, another major fund, had over \$6.27 million in revenue which primarily consisted of state aid and property taxes. Expenditures were approximately \$5.1 million and transfers out were over \$600,000, resulting in an increase in fund balance of \$572,147.
- The Agency's total debt decreased by approximately \$13.3 million during the current fiscal year. The majority of this decrease is related to the net OPEB and pension liabilities 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, 2022**

**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, community services, food services, facilities acquisition and interest on debt.

The government-wide financial statements can be found on pages 14-17 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 19 and 22, respectively.

The basic governmental fund financial statements can be found on pages 18 and 20-21 of this report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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 23-26 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 27-28 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 29-57 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 58-64 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 \$(1,903,945) as of June 30, 2022 compared to \$(5,655,199) as of June 30, 2021. 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, 2022**

The following summarizes the net position at fiscal years ended June 30, 2022 and 2021:

	Governmental Activities		Business-Type Activities		Total	Total
	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current Assets	\$ 21,566,442	\$ 18,084,328	\$ 4,442,225	\$ 4,061,759	\$ 26,008,667	\$ 22,146,087
Noncurrent Assets	15,363,665	15,404,915	1,002,313	298,366	16,365,978	15,703,281
<b>Total Assets</b>	<b>36,930,107</b>	<b>33,489,243</b>	<b>5,444,538</b>	<b>4,360,125</b>	<b>42,374,645</b>	<b>37,849,368</b>
<b>Deferred Outflows of Resources</b>						
Related to Pension and OPEB	5,721,562	8,874,611	379,561	689,877	6,101,123	9,564,488
<b>Liabilities</b>						
Current Liabilities	6,646,937	5,324,527	178,839	74,248	6,825,776	5,398,775
Noncurrent Liabilities	23,640,884	36,966,375	2,018,792	2,887,175	25,659,676	39,853,550
<b>Total Liabilities</b>	<b>30,287,821</b>	<b>42,290,902</b>	<b>2,197,631</b>	<b>2,961,423</b>	<b>32,485,452</b>	<b>45,252,325</b>
<b>Deferred Inflows of Resources</b>						
Related to Pension and OPEB	14,267,793	5,728,151	1,321,644	481,164	15,589,437	6,209,315
<b>Net Position</b>						
Net Investment in:						
Right to Use Assets	-	-	106,532	-	106,532	-
Capital Assets	14,958,010	14,818,408	465,487	298,366	15,423,497	15,116,774
Restricted for Debt Service	5,022	23	-	-	5,022	23
Restricted for School Lunch	13,189	11,318	-	-	13,189	11,318
Restricted for Fund Purposes	6,793,180	5,495,498	-	-	6,793,180	5,495,498
Unrestricted	(23,673,346)	(25,980,446)	1,732,805	1,309,049	(21,940,541)	(24,671,397)
<b>Total Net Position</b>	<b>\$ (1,903,945)</b>	<b>\$ (5,655,199)</b>	<b>\$ 2,304,824</b>	<b>\$ 1,607,415</b>	<b>\$ 294,347</b>	<b>\$ (4,047,784)</b>

The following are significant current year transactions that have had an impact on the statement of net position:

- 1) The addition of \$802,810 in capital assets through the purchases of equipment and building improvements. In the prior year, \$379,836 of capital assets were added.
- 2) The reduction of \$1,549,878 of net pension and OPEB liabilities and the related deferred inflows and outflows.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Governmental Activities		Business-Type Activities		Total	Total
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,446,996	\$ 1,651,955	\$ 3,814,095	\$ 3,662,601	\$ 5,261,091	\$ 5,314,556
Operating Grants and Contributions	11,391,574	10,949,753	-	-	11,391,574	10,949,753
General Revenues:						
Property Taxes	9,651,012	9,405,457	-	-	9,651,012	9,405,457
Grants and State Aid	4,381,838	1,064,611	-	-	4,381,838	1,064,611
Interest and Investment Income	50,014	84,304	11,755	17,382	61,769	101,686
Miscellaneous	452,503	262,168	-	-	452,503	262,168
<b>Total Revenues</b>	<b>27,373,937</b>	<b>23,418,248</b>	<b>3,825,850</b>	<b>3,679,983</b>	<b>31,199,787</b>	<b>27,098,231</b>
<b>Expenses</b>						
Instruction	10,324,429	9,465,233	-	-	10,324,429	9,465,233
Support Services - Student and Staff	7,832,805	7,262,197	-	-	7,832,805	7,262,197
Support Services - Administration	1,570,857	1,689,389	114,149	93,376	1,685,006	1,782,765
Operation and Maintenance	1,544,703	1,456,222	154,183	108,905	1,698,886	1,565,127
Transportation and Central Community Services	1,173,372	1,143,080	2,716,055	2,687,026	3,889,427	3,830,106
Food Service	1,066,452	1,059,956	-	-	1,066,452	1,059,956
Facilities Acquisition	81,720	66,835	-	-	81,720	66,835
Interest on Debt	9,509	47,227	-	-	9,509	47,227
Depreciation Expense	18,836	23,252	976	-	19,812	23,252
	-	-	143,078	44,124	143,078	44,124
<b>Total Expenses</b>	<b>23,622,683</b>	<b>22,213,391</b>	<b>3,128,441</b>	<b>2,933,431</b>	<b>26,751,124</b>	<b>25,146,822</b>
<b>Change in Net Position</b>	<b>\$ 3,751,254</b>	<b>\$ 1,204,857</b>	<b>\$ 697,409</b>	<b>\$ 746,552</b>	<b>\$ 4,448,663</b>	<b>\$ 1,951,409</b>

**Changes in Net Position.** The Agency's total revenues for the fiscal year ended June 30, 2022, were \$31,199,787 compared with \$27,098,231 for June 30, 2021. The total cost of all programs and services was \$26,751,124 for 2021-2022 and \$25,146,822 for 2020-2021. The above table presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and 2021.

**Governmental and Business-Type Activities.** As reported in the statement of activities on pages 16-17, the cost of all of our governmental and business-type activities this year was \$26,751,124 (\$25,146,822 for 2021). However, the amount that our taxpayers ultimately financed for these activities through Agency taxes was only \$9,651,012 (\$9,405,457 for 2021) because some of the cost was paid by those who benefited from the programs \$5,261,091 (\$5,314,556 for 2021) and by other governments and organizations who subsidized certain programs with grants and contributions \$11,391,574 (\$10,949,753 for 2021).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

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, student transportation and central services, community services, facilities acquisition and interest on 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	
	2022	2021	2022	2021
Instruction	\$10,324,429	\$ 9,465,233	\$ (58,185)	\$ 1,021,071
Support Services - Students and Staff	7,832,805	7,262,197	(7,766,107)	(7,088,638)
Support Services - Administration	1,685,006	1,826,889	(1,398,939)	(1,604,511)
Operation and Maintenance	1,698,886	1,565,127	(1,153,576)	(1,115,900)
Transportation and Central	4,033,481	3,830,106	(487,718)	(167,505)
Community Services	1,148,172	1,126,791	794,411	196,660
Facilities Acquisition	9,509	47,227	(9,509)	(47,227)
Interest on Debt	18,836	23,252	(18,836)	(23,252)
Technology Services	-	-	-	-
<b>Total Expenses</b>	<b>\$26,751,124</b>	<b>\$ 25,146,822</b>	<b>\$ (10,098,459)</b>	<b>\$ (8,829,302)</b>

The cost of all governmental activities this year was \$23,622,683 (\$22,213,391 for 2021).

For governmental activities, federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$12,838,570 (\$12,601,708 for 2021).

Net cost of governmental activities of \$10,784,113 (\$9,611,683 for 2021), was financed by general revenues, which are made up of primarily property taxes of \$9,651,012 (\$9,405,457 for 2021) and state and federal aid of \$4,381,838 (\$1,064,611 for 2021). Investment earnings accounted for \$50,014 (\$84,304 for 2021) 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 Tech Fund.

**Operating Highlights:**

**General Fund.** The general fund actual revenues were \$9,566,054, which is more than the original budget estimate of \$7,797,156 and less than the final amended budget of \$10,734,675. The \$2.9 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 \$823,443 for increased grant funds received for the Great Start Readiness Program (GSRP) Preschool including funds identified for Curriculum and Transportation costs, \$669,970 for Child Care Stabilization funds received for preschool programs, \$108,044 for Early On Section 54D funds received from the state for increased early on services provided, \$413,065 for grants received for mental health services including professional development, \$64,474 for increased Trusted Advisors Grants (both federal and locally funded), \$613,042 for Summer

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

Programming funds received from the state to be flowed through to the local districts, and \$175,412 for local foundation grant for early literacy projects.

The \$1.2 million variance between the final amended budget and the June 30, 2022 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 2022-23 include \$504,508 for the GSRP State Grant, \$82,658 for Early On Section 54D funds, \$160,858 for Section 32p (Great Start Collaborative) Grants, \$126,148 for the Mental Health Grant, \$56,468 for the State Early Literacy Coach Grant, and \$87,103 for the Fremont Area Community Foundation Early Literacy Initiative and Promise Zone and WE CAN Grants awarded during the year, but available for funding into the next fiscal year.

The actual expenditures of the general fund were \$9,884,285, which is less than the original budget estimate of \$8,419,984 and less than the final amended budget of \$11,302,465. The \$2.88 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 \$1.4 million variance between the final amended budget and the June 30, 2022 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 2022-2023.

The General Fund had total revenues of \$9,566,054, total expenditures of \$9,884,285, and \$620,216 of other financing sources (transfers in) over other financing uses (transfers out) resulting in an ending fund balance of \$1,470,149. This is an increase of \$301,985 from the prior year ending fund balance.

**Special Education Fund.** The Special Education Fund actual revenues were \$11,118,996. That amount is more than the original budget of \$11,012,570 and less than the final amended budget of \$11,473,722. The \$461,152 variance between the original budget and the final amended budget reflected an increase of \$86,570 for property taxes and renaissance zone, \$190,594 for new grants American Rescue Plan (ARP) IDEA funds and 310 Social Work funds, an increase in IDEA Federal Funding (Flowthrough and General Supervision grants) of \$102,855. The \$354,762 variance between the final amended budget and the June 30, 2022 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 \$193,747 and ARP IDEA Grants of \$135,924.

The actual expenditures of the special education fund were \$9,501,691, which is below the original budget of \$10,193,982 and below the final amended budget of \$10,365,386. The \$171,404 variance between the original and final amended budget was mostly due to additional funding received for ARP IDEA grants. The \$863,695 variance between the final amended budget and the June 30, 2022 actual results was due to budgeting for the anticipation of fully expending federal grant programs. The Special Education Flowthrough grant had \$125,208 more budgeted expenditures than actual expenditures which will carry over to the next fiscal year. The 2021-2022 budget also reflected higher anticipated costs than actual expenditures for wages and related benefits by \$530,276 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, \$112,103 for contracted services, including substitutes, and \$161,046 for supplies and capital outlay which were not fully spent.

The special education fund had total revenues of \$11,118,996, total expenditures of \$9,501,691, and (\$883,460) of other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$3,610,446. This is an increase of \$733,845 in fund balance from the previous year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Career-Technical Education Fund.** The Career-Tech Education Fund actual revenues were \$6,268,513 which was less than the original budget estimate of \$6,299,742 and less than the final amended budget of \$6,448,682. The \$148,640 variance between the original budget and the final amended budget reflects a \$137,420 increase in anticipated property taxes. The \$179,869 variance between the final amended budget and the June 30, 2022 actual results was due to \$65,434 Mental Health Grant carried over to next year and \$55,223 less than anticipated property taxes collected.

The actual expenditures of the career-technical education fund were \$5,096,335, which is less than the original budget of \$5,876,992 and less than the final amended budget of \$5,691,393. The \$185,599 variance between the original budget and the final amended budget was due to a decrease of \$192,321 supplies and capital outlay budgets, increase of \$60,337 in the estimated cost of wages and benefits for changes in benefits for staff. The \$595,058 variance between the final amended budget and the June 30, 2022 actual results was due to budgeting \$308,802 more than actual wages and benefits for positions which were vacated during the year, but not replaced and \$135,523 more for potential capital and other supply purchases which were not purchased. The budget for various contracted services (such as substitute teachers, utility costs for the buildings and maintenance costs) were budgeted \$131,201 higher than actual costs.

The Career Tech Fund had total revenues of \$6,268,513, total expenditures of \$5,096,335, and (\$600,031) other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$3,332,552. This is an increase of \$572,147 in fund balance from the previous year.

**RIGHT TO USE ASSETS, CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Right to Use Assets.** As of June 30, 2022, the Agency has invested \$536,826 in the Agency’s right to use assets, which includes the use of space on towers and silos around the area to provide internet services for the surrounding area. The amortization expense for the year was \$87,424.

**Capital Assets.** As of June 30, 2022 the Agency had invested approximately \$15.8 million in capital assets (net of depreciation), including school buildings, vehicles, computers, and other equipment. This amount represents a net increase of approximately \$126,000 from last year. Additions for the 2021/2022 school year includes building upgrades on several buildings, computer equipment, new van, a new dump trailer, maintenance equipment, and boring rig. Total depreciation expense for the year was \$621,617 (\$598,478 for 2021). The Agency also committed to the two projects to be completed in the subsequent fiscal year – barn improvements (\$115,000) and parking lot improvements (\$146,900).

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2022:

	Governmental Activities	Business-Type Activities	Total
Land and Improvements	\$ 781,575	\$ -	\$ 781,575
Buildings and Site Improvements	13,777,350	77,885	13,855,235
Equipment and Furniture	681,644	387,602	1,069,246
Vehicles	123,096	-	123,096
Total	\$ 15,363,665	\$ 465,487	\$ 15,829,152

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Lease Liability.** As of June 30, 2022, the Agency had a lease liability related to their right to use assets of \$526,622. More information can be found in Note H in the note to the financial statements.

**Long-Term Obligations.** At year-end, the Agency had \$478,695 in long-term obligations outstanding, of which \$187,546 is due within one year. The following table presents a summary of the Agency's outstanding long-term obligations for the fiscal year ended June 30, 2022:

	Governmental Activities	Business-Type Activities	Total
Bonds Payable	\$ 305,000	\$ -	\$ 305,000
Capital Leases Payable	100,655	-	100,655
Accrued Absences	51,539	21,501	73,040
Total	\$ 457,194	\$ 21,501	\$ 478,695

See Note J 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 2022-2023 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 2022-23 the Section 81 funds (used for general administration for Intermediate School Districts/Educational Service Agencies) were anticipated to increase 2.5% from the 2021-22 allocation, however the budget which was approved by the Governor includes a 5% increase. With the 5% increase, Section 81 funding is still lower than the 2008-09 fiscal year allocation level. This remains 7.5% lower than 2008-09 fiscal year. In preparing the budget, the Agency is anticipating a reduction in the Special Education (Sec. 56) 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 opportunities in property-poor districts to similar levels as land rich areas. The Agency has suffered about \$2.1 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.

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 amount included in the 2022-23 budget for the Agency was \$1,556,057 or a 1.36% decrease from 2021-22 actual revenues of \$1,577,451. The fiscal year 2021-22 amount for the Agency was about a 22.15% increase from 2020-21 actual revenues of \$1,291,434. The fiscal year 2020-21

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grant estimates in the 2022-23 budget reflect a 20.54% decrease from the 2021-22 budgets. This is mostly due to a reduction in the amount estimated for Child Care Stabilization and American Rescue Plan (ARP) funds anticipated to be carried over from the 2021-22 year and Summer Programming funds received flowed through to the local districts not anticipated to continue in 2022-23.

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 2022-23 budget reflected only a 1.25% increase from 2022-23 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 16.51% to \$9,556,607 for fiscal year 2022-23. The decrease was largely due to the elimination or significant reductions of several grants received in 2021-22 including grants for Child Care Stabilization, American Rescue (ARP), Summer Programming, Parents as Teachers and Great Start Readiness Program (GSRP) Preschool Grants. The Special Education Fund budgeted a 3.66% increase in expenditures (including transfers) to \$11,703,126 in fiscal year 2022-23. This increase is mainly due to an increase in the estimated of wages and benefits. The Career Tech Fund budget reflected \$6,148,108 in expenditures (including transfers) for fiscal 2022-23, a 2.49% decrease from the final 2021-22 budget. This decrease is mostly due to a decrease in the estimated supplies and capital outlay anticipated in the 2022-23 year.

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, 2022**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and Investments	\$ 17,764,453	\$ 4,306,769	\$ 22,071,222
Accounts Receivable	124,957	114,650	239,607
Due from Other Governmental Units	3,421,907	-	3,421,907
Inventory	54,832	-	54,832
Prepaid Expenses	200,293	20,806	221,099
Total Current Assets	21,566,442	4,442,225	26,008,667
Noncurrent Assets			
Right to Use Asset (net)	-	536,826	536,826
Capital Assets not being Depreciated	781,575	-	781,575
Capital Assets being Depreciated (net)	14,582,090	465,487	15,047,577
Total Noncurrent Assets	15,363,665	1,002,313	16,365,978
Total Assets	36,930,107	5,444,538	42,374,645
<b>Deferred Outflows of Resources</b>			
Deferred Outflows of Resources Related to Pensions	3,896,535	227,178	4,123,713
Deferred Outflows of Resources Related to OPEB	1,825,027	152,383	1,977,410
Total Deferred Outflows of Resources	5,721,562	379,561	6,101,123
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	211,342	20,485	231,827
Salaries Payable	965,264	36,446	1,001,710
Accrued Liabilities	964,705	25,580	990,285
Unearned Revenue	4,007,932	-	4,007,932
Due to Other School Districts	310,148	-	310,148
Current Portion of Long-Term Lease Payable	-	96,328	96,328
Current Portion of Long-Term Obligations	187,546	-	187,546
Total Current Liabilities	6,646,937	178,839	6,825,776
Noncurrent Liabilities			
Bonds Payable	155,000	-	155,000
Capital Lease Payable	63,109	-	63,109
Accrued Compensated Absences	51,539	21,501	73,040
Lease Payable	-	430,294	430,294
Net Pension Liability	21,860,601	1,559,524	23,420,125
Net OPEB Liability	1,510,635	7,473	1,518,108
Total Noncurrent Liabilities	23,640,884	2,018,792	25,659,676
Total Liabilities	30,287,821	2,197,631	32,485,452
<b>Deferred Inflows of Resources</b>			
Deferred Inflows of Resources Related to Pensions	8,907,403	827,958	9,735,361
Deferred Inflows of Resources Related to OPEB	5,360,390	493,686	5,854,076
Total Deferred Inflows of Resources	14,267,793	1,321,644	15,589,437

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Net Position</b>			
Net Investment in Right to Use Assets	-	106,532	106,532
Net Investment in Capital Assets	14,958,010	465,487	15,423,497
Restricted for Fund Purposes	6,793,180	-	6,793,180
Restricted for Food Service	13,189	-	13,189
Restricted for Debt Service	5,022	-	5,022
Unrestricted	<u>(23,673,346)</u>	<u>1,732,805</u>	<u>(21,940,541)</u>
 Total Net Position	 <u>\$ (1,903,945)</u>	 <u>\$ 2,304,824</u>	 <u>\$ 400,879</u>

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, 2022**

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	\$ 3,657,460	\$ 6,488	\$ 5,425,943	\$ -	\$ 1,774,971	\$ -	\$ 1,774,971
Special Instruction	3,448,641	663,792	2,950,804	-	165,955	-	165,955
Vocational Instruction	3,218,328	272,110	947,107	-	(1,999,111)	-	(1,999,111)
Total Instruction	10,324,429	942,390	9,323,854	-	(58,185)	-	(58,185)
Support Services:							
Pupil Services	5,356,734	-	-	-	(5,356,734)	-	(5,356,734)
Instructional Staff Services	2,476,071	-	66,698	-	(2,409,373)	-	(2,409,373)
General Administration Services	550,253	-	-	-	(550,253)	-	(550,253)
School Administration Services	201,763	-	18,775	-	(182,988)	-	(182,988)
Business Services	818,841	-	153,143	-	(665,698)	-	(665,698)
Operations and Maintenance	1,544,703	391,127	-	-	(1,153,576)	-	(1,153,576)
Pupil Transportation Services	112,383	-	-	-	(112,383)	-	(112,383)
Central Services	933,940	-	-	-	(933,940)	-	(933,940)
Other Support Services	127,049	-	-	-	(127,049)	-	(127,049)
Total Support Services	12,121,737	391,127	238,616	-	(11,491,994)	-	(11,491,994)
Community Services	1,066,452	113,479	1,829,104	-	876,131	-	876,131
Food Services	81,720	-	-	-	(81,720)	-	(81,720)
Facilities Acquisition	9,509	-	-	-	(9,509)	-	(9,509)
Interest on Debt	18,836	-	-	-	(18,836)	-	(18,836)
Total Governmental Activities	23,622,683	1,446,996	11,391,574	-	(10,784,113)	-	(10,784,113)
<b>Business-Type Activities</b>							
Newaygo County Advanced Technology Services							
	3,128,441	3,814,095	-	-	-	685,654	685,654
Total Business-Type Activities	3,128,441	3,814,095	-	-	-	685,654	685,654
Total School District	\$ 26,751,124	\$ 5,261,091	\$ 11,391,574	\$ -	(10,784,113)	685,654	(10,098,459)

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, 2022**

	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues			
Property Taxes			
General Purposes	212,357	-	212,357
Special Education	4,718,853	-	4,718,853
Vocational Education	4,719,802	-	4,719,802
State and Federal Aids Not Restricted To Specific Functions:			
General	4,381,838	-	4,381,838
Interest and Investment Earnings	50,014	11,755	61,769
Miscellaneous	452,503	-	452,503
Total General Revenues	<u>14,535,367</u>	<u>11,755</u>	<u>14,547,122</u>
 Change in Net Position	 3,751,254	 697,409	 4,448,663
 Net Position - July 1, 2021	 <u>(5,655,199)</u>	 <u>1,607,415</u>	 <u>(4,047,784)</u>
 Net Position - June 30, 2022	 <u>\$ (1,903,945)</u>	 <u>\$ 2,304,824</u>	 <u>\$ 400,879</u>

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2022**

	General Fund	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Investments	\$ 3,959,849	\$ 3,450,547	\$ 3,619,221	\$ 6,531,209	\$ 18,382	\$ 17,579,208
Accounts Receivable	92,858	5,532	26,567	-	-	124,957
Due from Other Governmental Units	1,861,711	1,331,103	228,708	-	385	3,421,907
Inventory	6,532	6,532	41,768	-	-	54,832
Prepaid Expenditures	98,105	68,714	32,804	-	670	200,293
Total Assets	<u>\$ 6,019,055</u>	<u>\$ 4,862,428</u>	<u>\$ 3,949,068</u>	<u>\$ 6,531,209</u>	<u>\$ 19,437</u>	<u>\$ 21,381,197</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	63,523	56,028	50,360	41,431	-	211,342
Salaries Payable	293,111	465,226	206,927	-	-	965,264
Accrued Liabilities	264,577	485,501	214,071	-	556	964,705
Unearned Revenue	3,812,050	50,724	145,158	-	-	4,007,932
Due to Other School Districts	115,645	194,503	-	-	-	310,148
Total Liabilities	<u>4,548,906</u>	<u>1,251,982</u>	<u>616,516</u>	<u>41,431</u>	<u>556</u>	<u>6,459,391</u>
<b>Fund Balances</b>						
Nonspendable Inventory	6,532	6,532	41,768	-	-	54,832
Nonspendable Prepaid Expenditures	98,105	68,714	32,804	-	670	200,293
Restricted for Fund Purposes	-	3,535,200	3,257,980	-	-	6,793,180
Restricted for Food Service	-	-	-	-	13,189	13,189
Restricted for Debt Service	-	-	-	-	5,022	5,022
Committed for Paving Project	-	-	-	100,000	-	100,000
Committed for Barn and Greenhouse Project	-	-	-	500,000	-	500,000
Assigned for General Fund	-	-	-	209,266	-	209,266
Assigned for Special Ed Fund	-	-	-	2,464,780	-	2,464,780
Assigned for Career Tech Fund	-	-	-	2,354,332	-	2,354,332
Assigned for NCATS Fund	-	-	-	861,400	-	861,400
Unassigned	1,365,512	-	-	-	-	1,365,512
Total Fund Balances	<u>1,470,149</u>	<u>3,610,446</u>	<u>3,332,552</u>	<u>6,489,778</u>	<u>18,881</u>	<u>14,921,806</u>
Total Liabilities and Fund Balances	<u>\$ 6,019,055</u>	<u>\$ 4,862,428</u>	<u>\$ 3,949,068</u>	<u>\$ 6,531,209</u>	<u>\$ 19,437</u>	<u>\$ 21,381,197</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, 2022**

Total Governmental Fund Balances	\$	14,921,806
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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		186,173
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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	28,816,931	
Governmental accumulated depreciation	<u>(13,554,849)</u>	15,262,082

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	3,896,535	
Deferred inflows of resources related to pensions	(8,907,403)	
Deferred outflows of resources related to OPEB	1,825,027	
Deferred inflows of resources related to OPEB	<u>(5,360,390)</u>	(8,546,231)

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		(51,539)
Bonds payable		(305,000)
Net pension liability		(21,860,601)
Net OPEB liability		<u>(1,510,635)</u>

Total Net Position - Governmental Activities	\$	<u><u>(1,903,945)</u></u>
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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, 2022**

	General	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Local Sources	\$ 1,656,583	\$ 5,420,131	\$ 4,967,699	\$ 17,730	\$ 40	\$ 12,062,183
State Sources	5,652,360	2,868,800	1,072,322	-	3,480	9,596,962
Federal Sources	2,100,855	2,827,395	138,492	-	137,324	5,204,066
Interdistrict Sources	156,256	2,670	90,000	-	-	248,926
Total Revenues	9,566,054	11,118,996	6,268,513	17,730	140,844	27,112,137
<b>Expenditures</b>						
Instruction	3,056,408	1,471,998	3,146,078	-	-	7,674,484
Support Services:						
Pupil Services	868,686	4,712,214	219,124	-	-	5,800,024
Instructional Staff Services	1,360,443	792,377	432,621	-	-	2,585,441
General Administration Services	579,131	14,263	6,223	-	-	599,617
School Administration Services	-	-	204,967	-	-	204,967
Business Services	550,389	49,767	25,445	-	654	626,255
Operations and Maintenance	804,627	294,078	613,497	-	-	1,712,202
Pupil Transportation	107,133	4,503	2,700	-	-	114,336
Central Services	484,979	100,200	269,087	-	482	854,748
Other Support Services	-	-	128,241	-	-	128,241
Community Services	1,044,779	34,486	48,352	-	-	1,127,617
Food Services	-	-	-	-	137,202	137,202
Facilities Acquisition	53,788	-	-	252,692	-	306,480
Debt Service	-	-	-	-	158,276	158,276
Transfers to Other School Districts	-	2,027,805	-	-	-	2,027,805
Transfers to Other Entities	973,922	-	-	-	-	973,922
Total Expenditures	9,884,285	9,501,691	5,096,335	252,692	296,614	25,031,617
Excess Revenues Over (Under) Expenditures	(318,231)	1,617,305	1,172,178	(234,962)	(155,770)	2,080,520

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, 2022**

	<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>						
Proceeds from Sale of Fixed Assets	-	-	-	-	150,000	150,000
Operating Transfers In	733,491	-	-	850,000	13,275	1,596,766
Operating Transfers Out	(113,275)	(883,460)	(600,031)	-	-	(1,596,766)
Total Other Financing Sources (Uses)	<u>620,216</u>	<u>(883,460)</u>	<u>(600,031)</u>	<u>850,000</u>	<u>163,275</u>	<u>150,000</u>
Net Change in Fund Balances	301,985	733,845	572,147	615,038	7,505	2,230,520
Fund Balances - July 1, 2021	<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>
Fund Balances - June 30, 2022	<u>\$ 1,470,149</u>	<u>\$ 3,610,446</u>	<u>\$ 3,332,552</u>	<u>\$ 6,489,778</u>	<u>\$ 18,881</u>	<u>\$ 14,921,806</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, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 2,230,520

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 (65,252)

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	580,035	
Depreciation expense reported in the statement of activities	(528,981)	
Gain (Loss) on Disposal of Fixed Assets	<u>(55,322)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period:		(4,268)

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		34,215
Increase (Decrease) in deferred outflows of resources related to pensions		(2,743,572)
(Increase) Decrease in deferred inflows of resources related to pensions		(7,030,081)
(Increase) Decrease in net pension liability		9,656,940
Increase (Decrease) in deferred outflows of resources related to OPEB		(409,477)
(Increase) Decrease in deferred inflows of resources related to OPEB		(1,509,561)
(Increase) Decrease in net OPEB liability		3,446,790

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.

145,000

Change in Net Position - Governmental Activities \$ 3,751,254

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Business-Type Activities Newaygo County Advanced Technology Services	Governmental Activities Internal Service Funds
<b>Assets</b>		
Current Assets		
Cash and Investments	\$ 4,306,769	\$ 185,245
Accounts Receivable	114,650	-
Prepaid Expenses	20,806	-
Total Current Assets	4,442,225	185,245
Noncurrent Assets		
Right to Use Asset	624,250	-
Less Accumulated Amortization	(87,424)	-
Net Right to Use Asset	536,826	-
Capital Assets		
Site Improvements	43,397	-
Building Additions	88,494	-
Furniture and Equipment	493,360	195,113
Vehicles	106,861	-
Less Accumulated Depreciation	(266,625)	(93,530)
Net Capital Assets	465,487	101,583
Total Assets	5,444,538	286,828
<b>Deferred Outflows of Resources</b>		
Deferred Outflows of Resources Related to Pensions	227,178	-
Deferred Outflows of Resources Related to OPEB	152,383	-
Total Deferred Outflows of Resources	379,561	-
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable	20,485	-
Salaries Payable	36,446	-
Accrued Liabilities	25,580	-
Short Term Lease Liability	96,328	-
Current Portion Long-Term Debt	-	37,546
Total Current Liabilities	178,839	37,546
Noncurrent Liabilities		
Accrued Compensated Absences	21,501	-
Long-Term Lease Liability	430,294	-
Long-Term Debt	-	63,109
Net Pension Liability	1,559,524	-
Net OPEB Liability	7,473	-
Total Noncurrent Liabilities	2,018,792	63,109
Total Liabilities	2,197,631	100,655

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
<b>Deferred Inflows of Resources</b>		
Deferred Inflows of Resources Related to Pensions	827,958	-
Deferred Inflows of Resources Related to OPEB	493,686	-
Total Deferred Inflows of Resources	1,321,644	-
<b>Net Position</b>		
Net Investment in Capital Assets	465,487	928
Unrestricted	1,839,337	185,245
Total Net Position	\$ 2,304,824	\$ 186,173

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, 2022**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
<b>Operating Revenue</b>		
Local Revenues	\$ 3,814,095	\$ 111,290
<b>Operating Expenses</b>		
Support Services		
General Administration	6,783	-
Business Services	107,366	73,838
Operation and Maintenance	154,183	-
Central Services	2,716,055	60,672
Total Support Services	2,984,387	134,510
Total Expenses	2,984,387	134,510
Operating Income (Loss)	829,708	(23,220)
<b>Non-Operating Revenues (Expenses)</b>		
Depreciation and Amortization Expense	(143,078)	(36,982)
Interest and Dividends	11,755	510
Interest Expense	(976)	(5,560)
Total Non-Operating Revenues (Expenses)	(132,299)	(42,032)
Change in Net Position	697,409	(65,252)
Net Position - July 1, 2021	1,607,415	251,425
Net Position - June 30, 2022	\$ 2,304,824	\$ 186,173

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, 2022**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 3,784,029	\$ 111,290
Cash Paid to Employees	(1,731,619)	-
Cash Paid to Suppliers	(1,395,144)	(120,566)
Net Cash Provided by Operating Activities	657,266	(9,276)
<b>Cash Flows from Financing Activities</b>		
Principal Payments on Long-Term Debt	-	(35,852)
Principal Payments on Long-Term Leases	(97,628)	-
Interest Expense	(976)	(5,560)
Net Cash (Used) by Financing Activities	(98,604)	(41,412)
<b>Cash Flows from Investing Activities</b>		
Purchases of Equipment / Building Additions	(222,775)	-
Interest and Dividends	11,755	510
Net Cash (Used) Provided by Investing Activities	(211,020)	510
Net Increase (Decrease) in Cash and Investments	347,642	(50,178)
Cash and Cash Equivalents - July 1, 2021	3,959,127	235,423
Cash and Cash Equivalents - June 30, 2022	<u>\$ 4,306,769</u>	<u>\$ 185,245</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Income	\$ 829,708	\$ (23,220)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Accounts Receivable	(30,066)	13,944
(Increase) Decrease in Prepaid Expenses	(2,758)	-
(Increase) Decrease in Deferred Outflows	310,316	-
Increase (Decrease) in Accounts Payable	(1,667)	-
Increase (Decrease) in Salaries Payables	(1,469)	-
Increase (Decrease) in Other Payroll Payables	11,399	-
Increase (Decrease) in Accrued Comp. Absences	(9,042)	-
Increase (Decrease) in Net Pension Liability	(950,412)	-
Increase (Decrease) in Net OPEB Liability	(339,223)	-
Increase (Decrease) in Deferred Inflows	840,480	-
Net Cash Provided by Operating Activities	<u>\$ 657,266</u>	<u>\$ (9,276)</u>

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, 2022**

	<u>Custodial Fund</u>
<b>Assets</b>	
Cash	\$ 14,683
	<u>                    </u>
<b>Liabilities</b>	
Due to Other Organizations	14,683
	<u>                    </u>
<b>Net Position</b>	\$ -
	<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, 2022**

	<u>Custodial Fund</u>
<b>Additions</b>	
Other Income	\$ 4,185
<b>Deductions</b>	
Payments Made for Other Organizations	19,263
Change in Net Position	(15,078)
Net Position - July 1, 2021	15,078
Net Position - June 30, 2022	\$ -

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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, 2022**

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 (NCATS), 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.

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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

*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 (NCATS)* - The Newaygo County Advanced Technology Services Fund accounts for activities of the NCATS 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.

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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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.

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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

Right to Use Lease Asset

The Agency is a lessee for multiple cancelable leases for the use of space on towers and silos throughout the NC RESA NCATS service area. These leases may be terminated by either party. The Agency's proprietary fund recognizes a right to use asset and a lease liability on the statement of net position.

At the commencement of a lease, the Agency measures the initial lease liability at the present value of the payments expected to be made during the term of the lease. The lease liability is reduced by the principal portion of the lease payments made.

The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made on or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized over the useful life of the asset or the lease term, whichever is shorter.

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

- The Agency generally uses its estimated incremental borrowing rate as the discount rate for the leases, as there is not typically an interest rate charged by the lessor. In the event that the lessor uses an interest rate, the Agency will use that as the discount rate for the lease.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed and variable payments.

Throughout the year, the Agency monitors changes in circumstances that would significantly affect the amount of the lease liability. Should such an event occur, the Agency will remeasure both the lease asset and lease liability.

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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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.

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 (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.

Tax Abatements

The Agency's tax revenues have been reduced by various tax abatements. See Note S 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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.

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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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 one instance where expenditures exceeded the revised budget for the year ended June 30, 2022:

Career Tech Fund:

- Community Services exceeded its appropriations by \$63

The overage is not considered material to the overall financial statements and was funded by available fund balance.

**NOTE C – DEPOSITS AND INVESTMENTS**

As of June 30, 2022, the Agency had the following investments:

Investment Type	Fair Value	Maturities	Standard & Poor's Rating
Michigan Liquid Assets Fund *	\$ 856,316	N/A	AAAm
Michigan CLASS Pool	4,543,433	N/A	AAAm
Total Fair Value	<u>\$ 5,399,749</u>		

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
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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, 2022 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, 2022, 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.

As of June 30, 2022, \$13,269,519 of the Agency's bank balance of \$19,919,268 was exposed to custodial credit risk as follows:

Insured or Collateralized	\$	1,250,000
Uninsured and Uncollateralized		13,269,519
Uninsured and collateral held by pledging bank's trust department not in Agency's name.		5,399,749
Total Bank Balance	\$	19,919,268

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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*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. Flagstar Bank    | 6. Michigan CLASS             |
| 3. Independent Bank | 7. ChoiceOne Bank             |
| 4. Horizon 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	\$ 6,532	\$ 6,532	\$ 41,768	\$ 54,832

**NOTE E - RECEIVABLES AND UNEARNED REVENUE**

Receivables

Receivables, net of allowance for uncollectibles, as of the year ended June 30, 2022 for the Agency's individual major funds and non-major and internal service funds in the aggregate are as follows:

	Accounts Receivable	Due from Other Govt's	Total Receivables
General Fund	\$ 92,858	\$ 1,861,711	\$ 1,954,569
Special Education Fund	5,532	1,331,103	1,336,635
Career Tech Fund	26,567	228,708	255,275
Non-Major Governmental Funds	-	385	385
NCATS Fund	114,650	-	114,650
Total	\$ 239,607	\$ 3,421,907	\$ 3,661,514

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
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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, 2022, the various components of unearned revenue reported in the governmental funds were as follows:

General Fund	\$ 3,812,050
Special Education	50,724
Career Tech	<u>145,158</u>
 Total	 <u><u>\$ 4,007,932</u></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.

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

Interfund Receivables/Payables

There were no amounts receivable or payables between funds at June 30, 2022.

Transfers

		Transfers To			Total
		General Fund	Capital Projects Fund	Debt Service Fund	
Transfers From	General Fund	\$ -	\$ 100,000	\$ 13,275	\$ 113,275
	Special Education Fund	383,460	500,000	-	883,460
	Career Tech Fund	<u>350,031</u>	<u>250,000</u>	<u>-</u>	<u>600,031</u>
	Total	<u><u>\$ 733,491</u></u>	<u><u>\$ 850,000</u></u>	<u><u>\$ 13,275</u></u>	<u><u>\$ 1,596,766</u></u>

Transfers into the General Fund in the amount of \$733,491 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 Service Fund to help meet current debt retirement obligation to help meet the current needs.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE G – RIGHT TO USE LEASE ASSETS**

The Agency has multiple leases for use of space on towers and silos throughout the NC RESA service area. The terms of the contracts range from 5-25 years and include variable payments up 3% of the revenues earned on the leased site. A summary of the lease asset activity during the fiscal year ended June 30, 2022 is as follows:

<b>Business-Type Activities</b>	Balance 6/30/21	Additions	Remeasurements	Deletions	Balance 6/30/22
Right to Use Asset	\$ 624,250	\$ -	\$ -	\$ -	\$ 624,250
Less Accumulated Amoritzation:	-	87,424	-	-	87,424
Net Right to Use Lease Assets	<u>\$ 624,250</u>	<u>\$ (87,424)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536,826</u>

**NOTE H – RIGHT TO USE LEASE LIABILITY**

In the Agency’s proprietary fund, the right to use lease liability has been initially measured at the present value of the expected lease payments to be made. The Agency will assess the right to use asset and lease liability on a regular basis for any remeasurements that may need to be made. The following is a summary of the Agency’s lease liability:

<b>Business-Type Activities</b>	Balance 6/30/21	Additions	Remeasurements	Deletions	Balance 6/30/22
Lease Liability	<u>\$ 624,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,628</u>	<u>\$ 526,622</u>

The principle and interest requirements are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 96,327	\$ 1,936
2024	79,815	2,418
2025	65,139	2,645
2026	44,278	2,259
2027	37,404	2,301
2028-2032	91,379	8,259
2032-2037	62,375	9,331
2037-2042	49,905	10,089
	<u>\$ 526,622</u>	<u>\$ 39,238</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE I - CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2022 follows:

	Balance 6/30/21	Additions	Deletions/ Adjustments	Balance 6/30/22
<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	10,596,469	267,617	-	10,864,086
Building Additions	10,586,108	38,848	37,077	10,587,879
Equipment and Furniture	3,481,865	237,829	76,020	3,643,674
Vehicles	311,711	35,741	-	347,452
Total Capital Assets Being Depreciated	<u>27,763,531</u>	<u>580,035</u>	<u>113,097</u>	<u>28,230,469</u>
Less Accumulated Depreciation for				
Site Improvements	2,564,168	14,835	-	2,579,003
Buildings	3,949,149	169,224	-	4,118,373
Building Additions	3,567,406	197,211	-	3,764,617
Equipment and Furniture	2,856,376	163,429	57,775	2,962,030
Vehicles	203,092	21,264	-	224,356
Total Accumulated Depreciation	<u>13,140,191</u>	<u>565,963</u>	<u>57,775</u>	<u>13,648,379</u>
Net Capital Assets being depreciated	<u>14,623,340</u>	<u>1,145,998</u>	<u>170,872</u>	<u>14,582,090</u>
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$15,404,915</u>	<u>\$ 1,145,998</u>	<u>\$ 170,872</u>	<u>\$15,363,665</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Site Improvements	\$ 30,450	\$ 12,947	\$ -	\$ 43,397
Building Additions	88,494	-	-	88,494
Equipment and Furniture	292,031	201,329	-	493,360
Vehicles	98,362	8,499	-	106,861
Total Capital Assets Being Depreciated	<u>509,337</u>	<u>222,775</u>	<u>-</u>	<u>732,112</u>
Less Accumulated Depreciation for				
Site Improvements	4,373	1,358	-	5,731
Building Additions	19,456	8,848	-	28,304
Equipment and Furniture	145,460	32,445	-	177,905
Vehicles	41,682	13,003	-	54,685
Total Accumulated Depreciation	<u>210,971</u>	<u>55,654</u>	<u>-</u>	<u>266,625</u>
Total Business-Type Activities				
Capital Assets - Net of Depreciation	<u>\$ 298,366</u>	<u>\$ 167,121</u>	<u>\$ -</u>	<u>\$ 465,487</u>

Depreciation expense was charged to governmental functions as follows:

Instruction - Vocational Education and Special Education	\$ 369,155
Operation and Maintenance	196,808
Total Depreciation Expense - Governmental Activities	<u>\$ 565,963</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE J - 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, 2022:

	General Obligation Bonds	Direct Borrowings and Direct Placements	Compensated Absences	Total
<b>Governmental Activities:</b>				
Balance at July 1, 2021	\$ 450,000	\$ 136,507	\$ 85,755	\$ 672,262
Additions	-	-	134,473	134,473
Deletions	145,000	35,852	168,689	349,541
Balance at June 30, 2022	305,000	100,655	51,539	457,194
Due Within one year	150,000	37,546	-	187,546
Due in more than one year	<u>\$ 155,000</u>	<u>\$ 63,109</u>	<u>\$ 51,539</u>	<u>\$ 269,648</u>
<b>Business-Type Activities:</b>				
Balance at July 1, 2021	\$ -	\$ -	\$ 30,610	\$ 30,610
Additions	-	-	53,318	53,318
Deletions	-	-	62,427	62,427
Balance at June 30, 2022	-	-	21,501	21,501
Due Within one year	-	-	-	-
Due in more than one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,501</u>	<u>\$ 21,501</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
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Governmental Activities:

2014 Vocational Education Building and Site Bond due in annual installments of \$150,000 to \$155,000 through May 1, 2024 with an interest rate of 2.50 - 3.00%

\$ 305,000

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%

100,655

Compensated Absences

51,539

\$ 457,194

Business-Type Activities:

Compensated Absences

\$ 21,501

Debt requirements at June 30, 2022 were as follows:

Governmental Activities:

	<u>General Obligation Bonds</u>		<u>Direct Placement and Direct Borrowings</u>		<u>Compensated Absences</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
Year Ending June 30,						
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	-	-	-	-	51,539	51,539
	<u>\$305,000</u>	<u>\$13,800</u>	<u>\$100,655</u>	<u>\$ 6,326</u>	<u>\$ 51,539</u>	<u>\$ 477,320</u>

Business-Type Activities:

Compensated Absences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,501</u>	<u>\$ 21,501</u>
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**NOTE K - 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE L - PENSION PLAN**

**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 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.

**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, 2020 valuation will be amortized over an 18 year period beginning October 1, 2020 and ending September 30, 2038.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
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The schedule below summarizes pension contribution rates in effect for the fiscal year 2021.

**Pension Contribution Rates**

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.00 - 4.00%	19.78%
Member Investment Plan	3.00 - 7.00%	19.78%
Pension Plus	3.00 - 6.40%	16.82%
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 \$2,970,245 for the year ended September 30, 2021.

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

At June 30, 2022, Newaygo County Regional Educational Service Agency reported a liability of \$23,420,125 for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the Agency's proportion was 0.09892172 percent, which was a decrease of 0.0013621 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the Agency recognized pension expense of \$2,417,811. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 362,788	\$ 137,917
Changes of assumptions	1,476,321	-
Net difference between projected and actual earnings on pension plan investments	-	7,529,495
Changes in proportion and differences between Agency contributions and proportionate share of contributions	5,302	490,798
Agency section 147c revenue related to pension contributions subsequent to the measurement date	-	1,577,451
Agency contributions subsequent to the measurement date	<u>2,279,302</u>	<u>-</u>
Total	<u>\$4,123,713</u>	<u>\$9,735,661</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
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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, 2023. 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 June 30	Amount
2022	\$ (874,681)
2023	(1,497,398)
2024	(1,901,333)
2025	(2,040,387)

**Actuarial Assumptions**

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

Additional information as of the latest actuarial valuation follows:

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**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Summary of Actuarial Assumptions**

Actuarial Assumptions:

Valuation Date:	September 30, 2020
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, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, 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: 4.4367.

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

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**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2021, 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%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity	15.00%	7.50%
Fixed Income Pools	10.50%	-0.70%
Real Estate and Infrastructure Pools	10.00%	5.40%
Absolute Return Pools	9.00%	2.60%
Real Return/Opportunistic Pools	12.50%	6.10%
Short Term Investment Pools	2.00%	-1.30%
Total	<u>100.00%</u>	

- Long-term rates of return are net of administrative expenses and 2.0% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. 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, 2022**

**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
<u>5.80% / 5.80% / 5.00%</u>	<u>6.80% / 6.80% / 6.00%</u>	<u>7.80% / 7.80% / 7.00%</u>
\$ 33,484,428	\$ 23,420,125	\$ 15,076,159

\* 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 \$403,220. The payables were based upon the wages being paid over the period from July 1 through August 31, 2022 which were for services provided prior to June 30, 2022 and therefore legally required contributions to the pension plan.

**NOTE M – 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, 2022**

**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, 2020 valuation will be amortized over a 18 year period beginning October 1, 2020 and ending September 30, 2038.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2021.

**OPEB Contribution Rates**

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	8.43%
Pers. Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from Newaygo County Regional Educational Service Agency were \$738,323 for the year ended September 30, 2021.

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

At June 30, 2022, the Agency reported a liability of \$1,518,108 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the Agency's proportion was 0.09945823 percent, which was a decrease of 0.00045026 percent from its proportion measured as of October 1, 2020.

For the year ended June 30, 2022, the Agency recognized OPEB expense of \$887,687. At June 30, 2022, 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	\$ -	\$4,333,332
Changes of assumptions	1,269,063	189,899
Net difference between projected and actual earnings on OPEB plan investments	-	1,144,226
Changes in proportion and differences between Agency contributions and proportionate share of contributions	53,621	186,619
Agency contributions subsequent to the measurement date	654,726	-
Total	\$1,977,410	\$5,854,076

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2022**

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, 2023. 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
2022	\$ (1,183,511)
2023	(1,091,045)
2024	(1,000,790)
2025	(912,574)
2026	(303,634)
Thereafter	(39,838)

**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.

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**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Actuarial Assumptions:

Valuation Date:	September 30, 2020
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:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% year 120 Post-65 - 5.25% Year 1 graded to 3.5% Year 15; 3.0% year 120
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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.
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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.
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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.
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Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
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Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.
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**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, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2021 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, 2022**

**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, 2021, 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%	5.40%
Private Equity Pools	16.00%	9.10%
International Equity	15.00%	7.50%
Fixed Income Pools	10.50%	-0.70%
Real Estate and Infrastructure Pools	10.00%	5.40%
Absolute Return Pools	9.00%	2.60%
Real Return/Opportunistic Pools	12.50%	6.10%
Short Term Investment Pools	2.00%	-1.30%
Total	<u>100.00%</u>	

**Rate of Return**

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. 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, 2022**

**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%
\$ 2,820,919	\$ 1,518,108	\$ 412,487

**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
\$ 369,496	\$ 1,518,108	\$ 2,810,436

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 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 \$166,056. The payables were based upon the wages being paid over the period from July 1 through August 31, 2022 which were for services provided prior to June 30, 2022 and therefore legally required contributions to the OPEB plan.

**NOTE N - 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 O - CASH FLOWS**

Cash paid for interest by the Agency for the proprietary funds was \$6,536, which equals the interest expense and the total interest incurred for the year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE P – COMMITMENTS AND CONTINGENCIES**

Prior to year-end, the Agency committed to the following:

- Parking Lot Improvements - \$146,900
- Barn Improvements - \$115,083

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.

**NOTE Q – 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, 2022, through October 17, 2022, the date these financial statements were available to be issued. The Agency made the following purchases subsequent to year end:

- Mac Computers for approximately \$60,000
- Dell Laptops for approximately \$60,000

No adjustments have been made to the financial statements related to these subsequent events.

**NOTE R - 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 S – 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 \$33,000 for the year ended June 30, 2022.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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 T – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ending June 30, 2022, the Agency implemented the new pronouncement Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to increase 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.

**NOTE U – UPCOMING ACCOUNTING PRONOUNCEMENT**

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset –an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local Sources	\$ 1,583,267	\$ 1,901,099	\$ 1,656,583	\$ 317,832	\$ (244,516)
State Sources	5,526,466	6,529,640	5,652,360	1,003,174	(877,280)
Federal Sources	479,720	2,099,804	2,100,855	1,620,084	1,051
Interdistrict Sources	207,703	204,132	156,256	(3,571)	(47,876)
<b>Total Revenues</b>	<b>7,797,156</b>	<b>10,734,675</b>	<b>9,566,054</b>	<b>2,937,519</b>	<b>(1,168,621)</b>
<b>Expenditures</b>					
Instruction	2,288,705	3,378,335	3,056,408	(1,089,630)	321,927
Support Services					
Pupil Services	665,009	1,069,681	868,686	(404,672)	200,995
Instructional Staff Services	1,447,554	1,616,586	1,360,443	(169,032)	256,143
General Administration Services	525,231	587,918	579,131	(62,687)	8,787
Business Services	582,798	562,902	550,389	19,896	12,513
Operations and Maintenance	772,774	913,529	804,627	(140,755)	108,902
Pupil Transportation	133,429	120,031	107,133	13,398	12,898
Central Services	555,290	565,197	484,979	(9,907)	80,218
Community Services	998,656	1,422,828	1,044,779	(424,172)	378,049
Transfers to Other Entities	415,261	1,022,769	973,922	607,508	48,847
<b>Total Expenditures</b>	<b>8,419,984</b>	<b>11,302,465</b>	<b>9,884,285</b>	<b>(2,882,481)</b>	<b>1,418,180</b>
Excess of Revenues (Under) Over Expenditures	(622,828)	(567,790)	(318,231)	55,038	249,559
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	788,626	788,626	733,491	-	(55,135)
Operating Transfers Out	(183,175)	(143,274)	(113,275)	39,901	29,999
<b>Total Other Financing Sources (Uses)</b>	<b>605,451</b>	<b>645,352</b>	<b>620,216</b>	<b>39,901</b>	<b>(25,136)</b>
<b>Net Change in Fund Balances</b>	<b>(17,377)</b>	<b>77,562</b>	<b>301,985</b>	<b>94,939</b>	<b>224,423</b>
<b>Fund Balances - July 1, 2021</b>	<b>1,168,164</b>	<b>1,168,164</b>	<b>1,168,164</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - June 30, 2022</b>	<b>\$ 1,150,787</b>	<b>\$ 1,245,726</b>	<b>\$ 1,470,149</b>	<b>\$ 94,939</b>	<b>\$ 224,423</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, 2022**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
	<b>Revenues</b>				
Local Sources	\$ 5,474,165	\$ 5,489,318	\$ 5,420,131	\$ 15,153	\$ (69,187)
State Sources	2,704,601	2,888,080	2,868,800	183,479	(19,280)
Federal Sources	2,823,776	3,089,084	2,827,395	265,308	(261,689)
Interdistrict Sources	10,028	7,240	2,670	(2,788)	(4,570)
<b>Total Revenues</b>	<b>11,012,570</b>	<b>11,473,722</b>	<b>11,118,996</b>	<b>461,152</b>	<b>(354,726)</b>
<b>Expenditures</b>					
Instruction	1,957,994	1,674,195	1,471,998	283,799	202,197
Support Services					
Pupil Services	4,933,163	5,173,622	4,712,214	(240,459)	461,408
Instructional Staff Services	745,017	836,811	792,377	(91,794)	44,434
General Administration Services	62,873	41,000	14,263	21,873	26,737
Business Services	106,506	69,065	49,767	37,441	19,298
Operations and Maintenance	363,971	361,307	294,078	2,664	67,229
Pupil Transportation	6,200	10,000	4,503	(3,800)	5,497
Central Services	161,957	103,052	100,200	58,905	2,852
Community Services	23,987	55,903	34,486	(31,916)	21,417
Transfers to Other School Dist.	1,832,314	2,040,431	2,027,805	208,117	12,626
<b>Total Expenditures</b>	<b>10,193,982</b>	<b>10,365,386</b>	<b>9,501,691</b>	<b>(171,404)</b>	<b>863,695</b>
Excess of Revenue (Under) Over Expenditures	818,588	1,108,336	1,617,305	289,748	508,969
<b>Other Financing Sources (Uses)</b>					
Operating Transfers Out	(925,066)	(925,066)	(883,460)	-	41,606
<b>Net Change in Fund Balances</b>	<b>(106,478)</b>	<b>183,270</b>	<b>733,845</b>	<b>289,748</b>	<b>550,575</b>
<b>Fund Balances - July 1, 2021</b>	<b>2,876,601</b>	<b>2,876,601</b>	<b>2,876,601</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - June 30, 2022</b>	<b>\$ 2,770,123</b>	<b>\$ 3,059,871</b>	<b>\$ 3,610,446</b>	<b>\$ 289,748</b>	<b>\$ 550,575</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, 2022**

	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	\$ 4,847,645	\$ 5,022,710	\$ 4,967,699	\$ 175,065	\$ (55,011)
State Sources	1,217,667	1,153,862	1,072,322	(63,805)	(81,540)
Federal Sources	126,680	131,810	138,492	5,130	6,682
Interdistrict Sources	107,750	140,000	90,000	32,250	(50,000)
<b>Total Revenues</b>	<b>6,299,742</b>	<b>6,448,382</b>	<b>6,268,513</b>	<b>148,640</b>	<b>(179,869)</b>
<b>Expenditures</b>					
Instruction	3,484,524	3,406,966	3,146,078	77,558	260,888
Support Services					
Pupil Services	276,552	299,411	219,124	(22,859)	80,287
Instructional Staff Services	630,437	542,588	432,621	87,849	109,967
General Administration Services	6,000	12,223	6,223	(6,223)	6,000
School Administration Services	230,720	232,832	204,967	(2,112)	27,865
Business Services	90,652	40,636	25,445	50,016	15,191
Operations and Maintenance	696,056	685,316	613,497	10,740	71,819
Pupil Transportation	23,450	5,800	2,700	17,650	3,100
Central Services	272,782	274,784	269,087	(2,002)	5,697
Other Support Services	109,374	135,048	128,241	(25,674)	6,807
Community Services	48,945	48,289	48,352	656	(63)
Facilities Acquisition	7,500	7,500	-	-	7,500
<b>Total Expenditures</b>	<b>5,876,992</b>	<b>5,691,393</b>	<b>5,096,335</b>	<b>185,599</b>	<b>595,058</b>
Excess of Revenues Over Expenditures	422,750	756,989	1,172,178	334,239	415,189
<b>Other Financing Sources (Uses)</b>					
Operating Transfers Out	(1,109,160)	(613,560)	(600,031)	495,600	13,529
<b>Net Change in Fund Balances</b>	<b>(686,410)</b>	<b>143,429</b>	<b>572,147</b>	<b>829,839</b>	<b>428,718</b>
<b>Fund Balances - July 1, 2021</b>	<b>2,760,405</b>	<b>2,760,405</b>	<b>2,760,405</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - June 30, 2022</b>	<b>\$ 2,073,995</b>	<b>\$ 2,903,834</b>	<b>\$ 3,332,552</b>	<b>\$ 829,839</b>	<b>\$ 428,718</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 (%)			0.09892%	0.099058%	0.101097%	0.102444%	0.10225%	0.10152%	0.10100%	0.09390%
B. Agency's proportionate share of net pension liability			\$ 23,420,125	\$ 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			\$ 9,050,339	\$ 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 (%)			258.78%	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			72.60%	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 2021.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2021.

**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			\$ 1,792,635	\$ 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 *			1,792,635	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			\$ 9,940,456	\$ 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			18.03%	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 2021.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2021.

**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 (%)						0.09946%	0.09901%	0.10081%	0.10275%	0.10217%
B. Agency's proportionate share of net OPEB liability						\$ 1,518,108	\$ 5,304,121	\$ 7,235,838	\$ 8,167,836	\$ 9,047,996
C. Agency's covered-employee payroll (OPEB)						\$ 9,050,339	\$ 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 (%)						16.77%	60.20%	81.94%	93.28%	105.43%
E. Plan fiduciary net position as a percentage of total OPEB liability						87.33%	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 2021.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2021.

**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						\$ 738,250	\$ 725,606	\$ 700,680	\$ 681,687	\$ 611,284
B. Contributions in relation to statutorily required contributions *						738,250	725,606	700,680	681,687	611,284
C. Contribution deficiency (excess)						\$ -	\$ -	\$ -	\$ -	\$ -
D. Agency's covered-employee payroll						\$ 9,940,456	\$ 8,896,394	\$ 8,824,410	\$ 8,811,809	\$ 8,677,355
E. Contributions as a percentage of covered-employee payroll						7.43%	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 2021.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2021.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2022**

	Food Service	Debt Service	Total Non-Major Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 13,360	\$ 5,022	\$ 18,382
Due from Other Governmental Units	385	-	385
Prepaid Expenditures	670	-	670
Total Assets	\$ 14,415	\$ 5,022	\$ 19,437
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accrued Liabilities	556	-	556
Total Liabilities	556	-	556
Fund Balances			
Nonspendable Prepaid Expenditures	670	-	670
Restricted for Food Service	13,189	-	13,189
Restricted for Debt Service	-	5,022	5,022
Total Fund Balances	13,859	5,022	18,881
Total Liabilities and Fund Balances	\$ 14,415	\$ 5,022	\$ 19,437

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGE IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022**

	Food Service	Debt Service	Total Non-Major Governmental Funds
<b>Revenues</b>			
Local Sources	\$ 40	\$ -	\$ 40
State Sources	3,480	-	3,480
Federal Sources	137,324	-	137,324
Total Revenues	140,844	-	140,844
<b>Expenditures</b>			
Support Services			
Business Services	654	-	654
Central Services	482	-	482
Food Services	137,202	-	137,202
Debt Service			
Principal Repayment	-	145,000	145,000
Interest And Other Charges	-	13,276	13,276
Total Expenditures	138,338	158,276	296,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,506	(158,276)	(155,770)
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets		150,000	150,000
Operating Transfers In	-	13,275	13,275
Total Other Financing Sources (Uses)	-	163,275	163,275
<b>Net Change in Fund Balances</b>	2,506	4,999	7,505
<b>Fund Balances - July 1, 2021</b>	11,353	23	11,376
<b>Fund Balances - June 30, 2022</b>	\$ 13,859	\$ 5,022	\$ 18,881



**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, 2022, 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 17, 2022.

**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 17, 2022



**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**

**Opinion on Each Major Program**

We have audited NC RESA's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, NC RESA, complied, in all material respects, with the 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, 2022.

**Basis for Opinion on Each Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NC RESA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of NC RESA's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to NC RESA's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error; and express an opinion on NC RESA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about NC RESA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NC RESA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NC RESA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of NC RESA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit, we not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of NC RESA as of and for the year ended June 30, 2022, and have issued our report thereon dated October 17, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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 17, 2022

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 01, 2021	(Memo Only) Prior Year Expenditures	Adjustments and Transfers	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Cash Transferred to a Subrecipient
<b><u>U.S. Department of Agriculture</u></b>										
Passed through Michigan Department of Education										
Pandemic EBT	N/A	10.649	\$ 614	\$ -	\$ -	\$ -	\$ 614	\$ 614	\$ -	\$ -
Emergency Operations-CACFP Meals	211925	10.558	17,564	-	-	-	17,564	17,564	-	-
Child and Adult Center Food Program	211920	10.558	65,340	-	58,681	-	6,659	6,659	-	-
Child and Adult Center Food Program	221920	10.558	105,789	-	-	-	105,789	105,789	-	-
CACFP-Cash-In-Lieu-Of Commodities	212010	10.558	4,048	-	3,555	-	493	493	-	-
CACFP-Cash-In-Lieu-Of Commodities	222010	10.558	9,760	-	-	-	6,205	6,205	-	-
<b>Total U.S. Department of Agriculture</b>			<b>203,115</b>	<b>-</b>	<b>62,236</b>	<b>-</b>	<b>137,324</b>	<b>137,324</b>	<b>-</b>	<b>-</b>
<b><u>U.S. Department of Education</u></b>										
<u>Special Education Cluster -</u>										
Passed through the Michigan Department of Education:										
Special Education - Grants to States										
Individuals with Disabilities Education Act (IDEA)-Flowthrough										
IDEA Flowthrough 19/20/H027A190110-19A	200450	84.027A	2,117,517	4,212	2,117,517	-	-	4,212	-	-
IDEA Flowthrough 20/21/H027A200110	210450	84.027A	2,168,309	508,954	1,773,998	-	394,311	547,006	356,259	191,375
IDEA Flowthrough 21/22/H027A200110	220450	84.027A	2,185,259	-	-	-	2,059,129	1,713,939	345,190	895,928
Individuals with Disabilities Education Act (IDEA)-Supervision										
General Supervision 20/21/H027A200110	210493	84.027A	132,000	7,759	132,000	-	-	7,759	-	-
General Supervision 21/22/H027A210110	220493	84.027A	132,000	-	-	-	132,000	132,000	-	-
Total IDEA Flowthrough			<b>6,735,085</b>	<b>520,925</b>	<b>4,023,515</b>	<b>-</b>	<b>2,585,440</b>	<b>2,404,916</b>	<b>701,449</b>	<b>1,087,303</b>
Individuals with Disabilities Education Act (IDEA)-Preschool										
Preschool 21/22/H173A210117	220460	84.173A	101,832	-	-	-	101,832	101,832	-	-
Total Special Education Cluster			<b>6,836,917</b>	<b>520,925</b>	<b>4,023,515</b>	<b>-</b>	<b>2,687,272</b>	<b>2,506,748</b>	<b>701,449</b>	<b>1,087,303</b>
Direct Funding										
Small, Rural School Achievement	S358A203646	84.358A	35,132	1,581	35,132	-	-	1,581	-	-
Small, Rural School Achievement	S358A211621	84.358A	36,635	-	-	-	36,635	36,635	-	-
Total Direct Funding - U.S. Department of Education			<b>71,767</b>	<b>1,581</b>	<b>35,132</b>	<b>-</b>	<b>36,635</b>	<b>38,216</b>	<b>-</b>	<b>-</b>
Other Federal Awards:										
Passed through the Michigan Department of Education:										
Education for Homeless Children and Youth 20/21	212320	84.196A	102,554	10,487	27,639	-	7,969	18,456	-	-
Education for Homeless Children and Youth 21/22	222320	84.196A	124,430	-	-	-	29,468	24,558	4,910	-
Total Education for Homeless Children and Youth			<b>226,984</b>	<b>10,487</b>	<b>27,639</b>	<b>-</b>	<b>37,437</b>	<b>43,014</b>	<b>4,910</b>	<b>-</b>

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, 2022**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 01, 2021	(Memo Only) Prior Year Expenditures	Adjustments and Transfers	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Cash Transferred to a Subrecipient
<b>Special Education-Grants for Infants and Families with Disabilities</b>										
Early On-Infant & Toddler 20/21/H181A200012	211340	84.181	88,802	10,983	72,036	-	-	10,983	-	-
Early On-Infant & Toddler 21/22/H181A210012	221340	84.181	99,757	-	-	-	70,448	60,678	9,770	-
Total Infant & Toddler			188,559	10,983	72,036	-	70,448	71,661	9,770	-
<b>Governor's Emergency Education Relief</b>										
GEER II Teacher and Support Staff Payments	211202	84.425C	84,000	-	-	-	71,625	71,625	-	71,625
Early On - Governor's Emergency Education Relief	201230	84.425C	7,845	766	4,066	-	3,779	4,545	-	-
Total Governor's Emergency Education Relief			91,845	766	4,066	-	75,404	76,170	-	71,625
<b>American Rescue Plan Funds</b>										
Early On - American Rescue Plan 21/22/EOARP	221283	84.181X	40,339	-	-	-	17,728	11,256	6,472	-
GSRP - American Rescue Plan 21/22	225439	21.027	522,000	-	-	-	522,000	-	522,000	-
Homeless - American Rescue Plan 21/22/22122	211010	84.425W	59,239	-	-	-	396	-	396	-
Total American Rescue Plan			621,578	-	-	-	540,124	11,256	528,868	-
<b>Elementary and Secondary School Emergency Relief</b>										
ESSER II - Summer Programming K - 8 2122	213722	84.425D	252,450	-	-	-	252,450	252,450	-	252,450
ESSER II - Credit Recovery 9 - 12 2122	213742	84.425D	243,100	-	-	-	213,354	121,044	92,310	121,045
Total Elementary and Secondary Emergency Relief			495,550	-	-	-	465,804	373,494	92,310	373,495
<b>Title II, Part A</b>										
Future Proud Michigan Educator	210534	84.367	10,000	-	-	-	4,591	4,591	-	-
<b>Total noncluster programs passed through the Michigan Department of Education</b>			1,634,516	22,236	103,741	-	1,193,808	580,186	635,858	445,120
<b>Passed through MOISD:</b>										
Secondary CTE Perkins Grant	223520	84.048A	127,246	-	-	-	133,901	127,246	6,655	-
Total noncluster programs passed through MOISD			127,246	-	-	-	133,901	127,246	6,655	-
<b>Total U.S. Department of Education</b>			8,670,446	544,742	4,162,388	-	4,051,616	3,252,396	1,343,962	1,532,423
<b>Federal Communications Commission</b>										
Passed through Universal Service Administrative Company										
American Rescue Plan - Emergency Connectivity Fund	N/A	32.009	16,800	-	-	-	16,800	16,800	-	-
Total passed through Universal Service Administrative Company			16,800	-	-	-	16,800	16,800	-	-
<b>U.S. Department of Health &amp; Human Services</b>										
Direct Funding -										
Drug Free Communities 2020	2H79SP020369-06	93.276	125,000	5,761	70,548	-	-	5,761	-	-
Drug Free Communities 2021	2H79SP020369-06	93.276	125,000	44,428	44,428	-	80,572	44,017	80,983	-
Drug Free Communities 2022	2H79SP020369-06	93.276	125,000	-	-	-	27,535	-	27,535	-
Total Drug Free Communities			375,000	50,189	114,976	-	108,107	49,778	108,518	-

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, 2022**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal Assistance Listing Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 01, 2021	(Memo Only) Prior Year Expenditures	Adjustments and Transfers	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2022	Current Year Cash Transferred to a Subrecipient
<b>Direct Funding -</b>										
CARA Local Drug Crises FY19	1H79SP080401-01	93.799	50,000	4,075	50,000	-	-	4,075	-	-
CARA Local Drug Crises FY20	1H79SP080401-01	93.799	50,000	44,232	50,000	-	-	44,232	-	-
Total Drug Free Communities			100,000	48,307	100,000	-	-	48,307	-	-
Total Direct Funding - U.S. Department of Health and Human Services			475,000	98,496	214,976	-	108,107	98,085	108,518	-
<b>Other Federal Awards:</b>										
<b>Passed through Michigan Department of Education</b>										
<b>Preschool Development Grant Birth through Five (PDG B-5)</b>										
Trusted Advisor Grant	213910	93.434	33,000	525	1,284	-	31,716	32,241	-	-
Trusted Advisor Grant	223910	93.434	25,000	-	-	-	900	500	400	-
<b>Total noncluster programs passed through Michigan Department of Education</b>			58,000	525	1,284	-	32,616	32,741	400	-
<b>Passed through Mid State Health Network:</b>										
<b>Block Grant</b>										
20/21	7040	93.959	76,500	6,607	68,323	-	8,177	14,784	-	-
21/22	7040	93.959	76,000	-	-	-	35,859	34,779	1,080	-
Total Block Grant			152,500	6,607	68,323	-	44,036	49,563	1,080	-
<b>State Opioid Response (SOR) Grant</b>										
20/21	N/A	93.788	3,750	2,344	2,811	-	-	2,344	-	-
21/22	N/A	93.788	11,250	-	-	-	-	-	-	-
Total SOR Grant			15,000	2,344	2,811	-	-	2,344	-	-
<b>Total noncluster programs passed through Mid State Health Network</b>			167,500	8,951	71,134	-	44,036	51,907	1,080	-
<b>Passed through Department of Community Health - State of Michigan:</b>										
Medicaid Outreach Program	N/A	93.778	51,947	18,000	36,081	-	51,947	51,947	18,000	-
<b>Total noncluster programs passed through Department of Community Health - State of Michigan</b>			51,947	18,000	36,081	-	51,947	51,947	18,000	-
			752,447	125,972	323,475	-	236,706	234,680	127,998	-
<b>Total U.S. Department of Health &amp; Human Services</b>			<b>\$ 9,642,808</b>	<b>\$ 670,714</b>	<b>\$ 4,548,099</b>	<b>\$ -</b>	<b>\$ 4,442,446</b>	<b>\$ 3,641,200</b>	<b>\$ 1,471,960</b>	<b>\$ 1,532,423</b>
<b>Total Federal Awards</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, 2022**

Recipient	Federal Assistance Listing Number	Subrecipient Award	Due to (from) Subrecipient July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Federal Expenditures	Current Year Cash Transferred	Due to (from) Subrecipient June 30, 2022
<b>U.S. Department of Education</b>							
Passed Through Michigan Department of Education (MDE)							
Special Education - Flowthrough							
IDEA Flowthrough 220450/2122 (Fremont Public Schools)	84.027A	\$ 296,046	\$ -	\$ -	\$ 296,046	\$ 238,287	\$ 57,759
IDEA Flowthrough 210450/2021 (Fremont Public Schools)	84.027A	289,539	56,646	289,539	-	56,646	-
		585,585	56,646	289,539	296,046	294,933	57,759
IDEA Flowthrough 220450/2122 (Grant Public Schools)	84.027A	254,368	-	-	254,368	204,352	50,016
IDEA Flowthrough 210450/2021 (Grant Public Schools)	84.027A	257,368	48,026	257,368	-	48,026	-
		511,736	48,026	257,368	254,368	252,378	50,016
IDEA Flowthrough 220450/2122 (Hesperia Community Schools)	84.027A	143,668	-	-	143,668	103,127	40,541
IDEA Flowthrough 210450/2021 (Hesperia Community Schools)	84.027A	140,520	25,910	140,520	-	25,910	-
		284,188	25,910	140,520	143,668	129,037	40,541
IDEA Flowthrough 220450/2122 (Newaygo Public Schools)	84.027A	243,841	-	-	243,841	200,727	43,114
IDEA Flowthrough 210450/2021 (Newaygo Public Schools)	84.027A	239,364	36,428	239,364	-	36,428	-
		483,205	36,428	239,364	243,841	237,155	43,114
IDEA Flowthrough 220450/2122 (White Cloud Public Schools)	84.027A	152,508	-	-	152,508	149,435	3,073
IDEA Flowthrough 210450/2021 (White Cloud Public Schools)	84.027A	154,523	24,365	154,523	-	24,365	-
		307,031	24,365	154,523	152,508	173,800	3,073
Total Special Education - Flowthrough		2,171,745	191,375	1,081,314	1,090,431	1,087,303	194,503
Governor's Emergency Education Relief							
GEER II Teacher and Support Staff Payments (Fremont Public Schools)	84.425C	14,000	-	-	14,000	14,000	-
GEER II Teacher and Support Staff Payments (Grant Public Schools)	84.425C	13,375	-	-	13,375	13,375	-
GEER II Teacher and Support Staff Payments (Hesperia Community Schools)	84.425C	15,250	-	-	15,250	15,250	-
GEER II Teacher and Support Staff Payments (Newaygo Public Schools)	84.425C	14,500	-	-	14,500	14,500	-
GEER II Teacher and Support Staff Payments (White Cloud Public Schools)	84.425C	12,000	-	-	12,000	12,000	-
GEER II Teacher and Support Staff Payments (Big Jackson Public Schools)	84.425C	2,500	-	-	2,500	2,500	-
Total Governor's Emergency Education Relief		71,625	-	-	71,625	71,625	-
Elementary and Secondary School Emergency Relief							
ESSER II - Summer Programming K - 8 2122 (Fremont Public Schools)	84.425D	55,550	-	-	55,550	55,550	-
ESSER II - Summer Programming K - 8 2122 (Grant Public Schools)	84.425D	36,300	-	-	36,300	36,300	-
ESSER II - Summer Programming K - 8 2122 (Hesperia Community Schools)	84.425D	64,900	-	-	64,900	64,900	-
ESSER II - Summer Programming K - 8 2122 (Newaygo Public Schools)	84.425D	45,650	-	-	45,650	45,650	-
ESSER II - Summer Programming K - 8 2122 (White Cloud Public Schools)	84.425D	44,000	-	-	44,000	44,000	-
ESSER II - Summer Programming K - 8 2122 (Big Jackson Public Schools)	84.425D	6,050	-	-	6,050	6,050	-
Total ESSER II - Summer Programming K - 8 2122		252,450	-	-	252,450	252,450	-

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, 2022**

Recipient	Federal Assistance Listing Number	Subrecipient Award	Due to (from) Subrecipient July 1, 2021	(Memo Only) Prior Year Expenditures	Current Year Federal Expenditures	Current Year Cash Transferred	Due to (from) Subrecipient June 30, 2022
Elementary and Secondary School Emergency Relief							
ESSER II - Credit Recovery 9 - 12 2122 (Fremont Public Schools)	84.425D	41,912	-	-	41,912	41,912	-
ESSER II - Credit Recovery 9 - 12 2122 (Grant Public Schools)	84.425D	103,848	-	-	103,848	23,858	79,990
ESSER II - Credit Recovery 9 - 12 2122 (Hesperia Community Schools)	84.425D	23,650	-	-	23,650	23,650	-
ESSER II - Credit Recovery 9 - 12 2122 (Newaygo Public Schools)	84.425D	21,945	-	-	21,945	9,625	12,320
ESSER II - Credit Recovery 9 - 12 2122 (White Cloud Public Schools)	84.425D	22,000	-	-	22,000	22,000	-
Total ESSER II - Credit Recovery 9 - 12 2122		<u>213,355</u>	<u>-</u>	<u>-</u>	<u>213,355</u>	<u>121,045</u>	<u>92,310</u>
Total Elementary and Secondary School Emergency Relief		<u>465,805</u>	<u>-</u>	<u>-</u>	<u>465,805</u>	<u>373,495</u>	<u>92,310</u>
<b>Total U.S. Department of Education</b>		<u>2,709,175</u>	<u>191,375</u>	<u>1,081,314</u>	<u>1,627,861</u>	<u>1,532,423</u>	<u>286,813</u>
<b>Total Provided to Subrecipients</b>		<u>\$ 2,709,175</u>	<u>\$ 191,375</u>	<u>\$ 1,081,314</u>	<u>\$ 1,627,861</u>	<u>\$ 1,532,423</u>	<u>\$ 286,813</u>

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

(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, 2022. 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)	\$ 3,256,999
Add items not on CMS Report	
Rounding	
Funds received through U.S. Department of Education	
Small, Rural School Achievement	38,216
Funds received through Universal Service Administrative Company	
Emergency Connectivity Fund	16,800
Funds received through Mecosta Osceola Intermediate School District	
Carl Perkins	127,246
Funds received through U.S. Department of Health & Human Services	
Drug Free Communities	49,778
CARA	48,307
Funds received through Mid State Health Network	
Block Grant	49,563
State Opioid Response Grant	2,344
Funds received through Department of Community Health, Michigan	
Medicaid Outreach Program	51,947
Current year receipts (cash basis) per Schedule of Expenditures of Federal Awards	\$ 3,641,200

(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	\$ 5,204,066
Less: Items not on SEFA	
Child Care Stabilization Grants	(761,617)
Rounding	(3)
	\$ 4,442,446

Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ 4,442,446
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**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2022

**Findings**

*No Findings*

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

### 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*



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Education  
Newaygo County Regional Educational Service Agency  
Fremont, Michigan

We have audited the financial statements of Newaygo County Regional Educational Service Agency as of and for the year ended June 30, 2022. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 12, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Newaygo County Regional Educational Service Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Management has reviewed and approved all journal entries proposed as a result of our audit engagement. Furthermore, an individual with suitable skill, knowledge and experience from management has reviewed the financial statements prepared by the auditor's to ensure compliance with all statutory and regulatory guidance.



## **Significant Risks Identified**

We have identified the following significant risks:

1. *Improper Revenue Recognition* – the risk that the Agency will not record the revenues in the correct period creating either overstated or understated revenues.
2. *Management Override* – the risk that management will override the internal controls set in place by the Agency.

We have obtained an understanding of the Agency’s controls, including control activities, relevant to such risks.

## **Qualitative Aspects of the Entity’s Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Newaygo County Regional Educational Service Agency is included in Note A to the financial statements. During the year ended June 30, 2022, the Agency adopted GASB Statement No. 87, *leases*, changing how the Agency reports its leases. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements are depreciation and unfunded liabilities.

Management’s estimate of depreciation expense is based on straight-line method over the useful lives. The unfunded liabilities relative to the Michigan Public Employees Retirement System are estimated based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent and clear.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

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

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Newaygo County Regional Educational Service Agency's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated October 17, 2022.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Newaygo County Regional Educational Service Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Newaygo County Regional Educational Service Agency's auditors.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

Applied certain limited procedures to the required supplementary information (RSI) which are required to supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the board, and management of Newaygo County Regional Educational Service Agency and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

*H&S Companies, P.C.*

H&S Companies, P.C.  
Reed City, MI  
October 17, 2022