

**NEWAYGO COUNTY REGIONAL
EDUCATIONAL SERVICE AGENCY**

FREMONT, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

October 24, 2018

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of NC RESA, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise NC RESA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of NC RESA as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Changes in Accounting Principle

As discussed in Note R to the financial statements, NC RESA adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during the year. As a result, the financial statements now recognize the District's unfunded defined postemployment benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of postemployment benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 4-13, 54-56, and 57-60 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 operation, 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NC RESA's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual 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 and individual 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 24, 2018 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 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 internal control over financial reporting or on compliance. That report is an integral part of the 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.
Fremont, MI

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

As management of the Newaygo County Regional Educational Service 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, 2018. 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 decreased from \$626,445 to \$(6,755,884). This significant change is a result of implementing GASB 75.
- General revenues accounted for about \$10.4 million in revenue, or 41.8% of all fiscal year 2018 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for about \$14.5 million or 58.2% of total fiscal year 2018 revenues. Total revenues increased over \$1.4 million from fiscal year 2017.
- The Agency had over \$20.9 million in expenses related to governmental activities; of which \$11.9 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues were adequate to provide for the remaining \$9.0 million costs of these programs. Total expenses, including business-type activities, decreased over \$.33 million from fiscal year 2017.
- As one of the major funds for the Agency, the General Fund had over \$6.3 million in revenue which primarily consisted of state aid and property taxes, and over \$6.8 million in expenditures. After taking into account net other financing sources and uses (including operating transfers in and out), the General Fund's fund balance increased by \$73,829.
- Another major fund for the Agency, the Special Education Fund, had over \$9.8 million in revenue. This revenue primarily consisted of federal grants, state aid, and property taxes. These revenues were spent between expenditures of over \$8.9 million and other financing uses (including transfers) of approximately \$404,000. The Special Education's fund balance increased by \$490,843 from 2017 to 2018.
- The Career Tech Fund, another major fund, had over \$5.8 million in revenue which primarily consisted of state aid and property taxes. Expenditures were nearly \$4.7 million and transfers out were over \$806,000 resulting in an increase in fund balance of \$319,563.
- The Agency's total debt decreased by \$130,000 during the current fiscal 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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

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

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

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

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". 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 17 and 19, respectively.

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

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.

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 statement can be found on page 23 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 24 - 53 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 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 54 - 60 of this report.

The comparative statements are presented immediately following the major budgetary comparisons. Individual comparative statements and schedules can be found on pages 61 - 84 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, assets exceeded liabilities by (\$7,169,639) as of June 30, 2018 compared to \$544,385 as of June 30, 2017, and was \$550,642 as of June 30, 2016. This significant change is a result of implementing GASB 75.

The largest 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 and construction in progress), 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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

The following summarizes the Net Position at fiscal years ended June 30, 2018 and 2017:

	Governmental Activities		Business-Type Activities		Total
	2018	2017	2018	2017	2018
Assets					
Current Assets	\$ 9,879,343	\$ 9,468,403	\$ 1,767,007	\$ 1,434,400	\$ 11,646,350
Capital Assets - Net of Accumulated Depreciation	<u>16,119,541</u>	<u>15,604,270</u>	<u>128,634</u>	<u>115,729</u>	<u>16,248,175</u>
Total Assets	<u>\$ 25,998,884</u>	<u>\$ 25,072,673</u>	<u>\$ 1,895,641</u>	<u>\$ 1,550,129</u>	<u>\$ 27,894,525</u>
Deferred Outflows of Resources					
Related to Pension and OPEB	\$ 6,201,042	\$ 3,834,766	\$ 485,680	\$ 296,268	\$ 6,686,722
Liabilities					
Current Liabilities	\$ 2,631,750	\$ 3,039,757	\$ 19,767	\$ 48,021	\$ 2,651,517
Long-Term Liabilities	<u>33,755,975</u>	<u>24,440,792</u>	<u>2,571,833</u>	<u>1,818,453</u>	<u>36,327,808</u>
Total Liabilities	36,387,725	27,480,549	2,591,600	1,866,474	38,979,325
Deferred Inflows of Resources					
Related to Pension and OPEB	<u>\$ 2,568,085</u>	<u>\$ 800,445</u>	<u>\$ 203,476</u>	<u>\$ 61,983</u>	<u>\$ 2,771,561</u>
Net Position					
Net Investment in Capital Assets	\$ 15,240,745	\$ 14,569,474	\$ 128,634	\$ 115,729	\$ 15,369,379
Restricted for Debt Service	9	1	-	-	9
Restricted for School Lunch	3,954	-	-	-	3,954
Restricted for Fund Purposes	3,705,042	2,898,294	-	-	3,705,042
Unrestricted	<u>(25,705,634)</u>	<u>(16,841,324)</u>	<u>(542,389)</u>	<u>(197,789)</u>	<u>(26,248,023)</u>
Total Net Position	<u>\$ (6,755,884)</u>	<u>\$ 626,445</u>	<u>\$ (413,755)</u>	<u>\$ (82,060)</u>	<u>\$ (7,169,639)</u>

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

- 1) The prior year column was before the implementation of GASB 75.
- 2) The addition of \$1,012,225 in capital assets through the purchases of vehicles and building improvements including significant renovations of the Regional Center for Agri-Science and Career Advancement. In the prior year, \$1,050,123 of capital assets were added.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Activities		Business-Type Activities		Total
	2018	2017	2018	2017	2018
Revenues:					
Program Revenues:					
Charges for Services	\$1,578,249	\$1,500,938	\$2,536,951	\$2,279,232	\$4,115,200
Operating Grants/Contrib.	10,162,295	9,506,259	-	-	10,162,295
Capital Grants/Contrib.	229,491	-	-	-	229,491
General Revenues:					
Property Taxes	8,223,314	8,112,229	-	-	8,223,314
Grants & State Aid	1,956,750	1,902,337	-	-	1,956,750
Investment Income	34,998	22,789	10,544	2,347	45,542
Other	214,565	148,398	-	785	214,565
Total Revenue	22,399,662	21,192,950	2,547,495	2,282,364	24,947,157
Expenses					
Instruction	8,707,486	8,736,633	634	1,831	8,708,120
Support Services - Student & Staff	6,273,366	6,913,007	-	-	6,273,366
Support Services - Administration	1,637,273	1,502,219	94,891	69,495	1,732,164
Operation & Maintenance of Plant	1,759,230	1,737,240	99,418	98,387	1,858,648
Transportation & Central Community Services	1,162,525	1,102,139	1,969,467	1,898,799	3,131,992
Facilities Acquisition (Non Capitalized Purchase)	89,015	20,535	-	-	89,015
Food Service	19,452	-	-	-	19,452
Interest on Long-Term Debt	25,444	29,152	-	-	25,444
Depreciation Expense	-	-	12,229	7,153	12,229
Total Expenses	20,994,908	21,402,885	2,176,639	2,075,665	23,171,547
Change in Net Position	\$1,404,754	\$ (209,935)	\$ 370,856	\$ 206,699	\$1,775,610

Changes in Net Position. The Agency's total revenues including extraordinary items for the fiscal year ended June 30, 2018, were \$24,947,157 compared with \$23,475,314 for June 30, 2017. The total cost of all programs and services was \$23,139,866 for 2017-18 and \$23,481,571 for 2016-17. The above table presents a summary of the changes in Net Position for the fiscal years ended June 30, 2018 and 2017. The prior year column was before the implementation of GASB 75.

Governmental and Business-Type Activities. As reported in the Statement of Activities on page 14, the cost of all of our governmental and business-type activities this year was \$23,139,866 (\$23,481,571 for 2017). However, the amount that our taxpayers ultimately financed for these activities through Agency taxes was only \$8,223,314 (\$8,112,229 for 2017) because some of the cost was paid by those who benefited from the programs \$4,115,200 (\$3,780,170 for 2017) and by other governments and organizations who subsidized certain programs with grants and contributions \$10,162,295 (\$9,506,259 for 2017).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

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

	Total Expenses		Net (Expense) Revenue	
	2018	2017	2018	2017
Instruction	\$ 8,708,120	\$ 8,738,464	\$ 488,720	\$ (473,841)
Support Services - Students & Staff	6,273,366	6,913,007	(5,915,777)	(6,623,371)
Support Services - Administration	1,744,393	1,581,888	(1,618,508)	(1,420,487)
Operation & Maintenance of Plant	1,858,648	1,835,627	(1,389,408)	(1,389,473)
Transportation & Central	3,131,992	3,000,938	(545,041)	(671,706)
Community Services	1,340,569	1,361,960	218,452	448,423
Facilities Acquisition	89,015	20,535	140,476	(20,535)
Interest on Long-Term Debt	25,444	29,152	(25,444)	(29,152)
Total Expenses	<u><u>\$23,171,547</u></u>	<u><u>\$23,481,571</u></u>	<u><u>\$ (8,646,530)</u></u>	<u><u>\$ (10,180,142)</u></u>

The cost of all governmental activities this year was \$20,994,908 (\$21,402,885 for 2017).

For governmental activities, federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$11,970,035 (\$11,007,197 for 2017).

Net cost of governmental activities of \$9,024,873 (\$10,395,688 for 2017), was financed by general revenues, which are made up of primarily property taxes of \$8,223,314 (\$8,112,229 for 2017) and state and federal aid of \$1,956,750 (\$1,902,337 for 2017). Investment earnings accounted for \$45,542 (\$25,136 for 2017) 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, the Career-Technical Education Fund, and the Capital Projects Fund.

Operating Highlights:

General Fund. The general fund actual revenues were \$6,389,882, which is less than the original budget estimate of \$7,106,661 and less than the final amended budget of \$7,468,852. The \$362,191 variance between the original and final budget was largely due to additional grant funding not originally anticipated. Of this variance, \$117,055 was for State Aid received to assist in the payment of Michigan Public School Employee Retirement System (MPERS) expenses that was awarded after the original budget was developed. Enterprise program funding was decreased by \$129,355 in the general fund this year due to the decision to move these funds to the Special Education Fund for the 2017-18 year due to the populations service in the Enterprise program.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

The Great Start Readiness Program (GSRP) Preschool Program funds allocated through the State of Michigan decreased by \$78,015 from the original budget due to less carryover of funds than anticipated. The \$1,078,970 variance between the final amended budget and the June 30, 2018 actual results was due to grants budgeted for the full grant year but not fully administered within the fiscal year. The most significant grants carried to 2018-2019 include \$397,542 for the GSRP State Grant, \$98,732 for the Fremont Area Community Foundation WE CAN grant, and \$75,000 for the State Early Literacy Coach grants awarded during the year, but available for funding into the next fiscal year. The balance of grants with amounts carried over to 2018-19 include the Fremont Area Community Foundation Grants for Parents as Teachers and Early Literacy totaling \$106,435, Section 32p State Child Care and Development Fund Grant which carried \$39,375, Race to the Top Trusted Advisors Grant which carried \$37,631, McKinney-Vento Homeless Assistance Grant which carried \$59,230, Gerber Foundation grant for the Imagination Library which carried \$29,386, and Drug Free Communities grant which carried \$55,978.

The actual expenditures of the general fund were \$6,823,454, which is less than the original budget estimate of \$7,658,251 and below the final amended budget of \$8,039,657. The \$381,406 variance between the original and final budget was also due to additional grants which were not originally anticipated as referenced in the previous paragraph. The \$1,216,203 variance between the final amended budget and the June 30, 2018 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 2018-19.

The General Fund had total revenues of \$6,389,882, total expenditures of \$6,823,454, and \$507,401 of other financing sources (transfers in) over other financing uses (transfers out) resulting in an ending fund balance of \$1,101,855. This is an increase of \$73,829 from the prior year ending fund balance.

Special Education Fund. The special education fund actual revenue was \$9,885,307. That amount is more than the original budget of \$9,457,544 and less than the final amended budget of \$10,203,731. The \$746,187 variance between the original budget and the final amended budget reflected an increase in Medicaid School Based Services of \$179,000, an increase in Section 51 State Aid for Special Education Categoricals of \$124,423, an increase of \$109,306 for State Aid received to assist in the payment of Michigan Public School Employee Retirement System (MPSERS) expenses that was awarded after the original budget was developed, increased amount of IDEA Flowthrough Carryover more than original anticipation by \$90,483, Enterprise program moved from General Fund increased the revenue budget by \$88,035, an increase in Section 56 Millage Equalization funding of \$79,134, and an increase in the Renaissance Zone State Aid original estimates by management of \$35,320. The \$318,421 variance between the final amended budget and the June 30, 2018 actual results was 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 \$250,181. Also, collections of property taxes being lower than projected by approximately \$89,545. This variance is partially due to property no longer taxed due to special districts and zones.

The actual expenditures of the special education fund were \$8,989,741, which is below the original budget of \$9,163,667 and below the final amended budget of \$9,674,819. The \$511,152 variance between the original and final amended budget was mostly due to larger than anticipated student services needed this year including an increase in estimated cost to provide an Early Childhood Specialist and Psychology services due to changes in staffing of \$170,422. Other increases in costs include an increase of \$74,115 for cost of Michigan Public School Employee's Retirement System (MPSERS) paid from increased State funding and the movement of Enterprise Program from the General Fund resulting in additional \$95,964 anticipated expenditures.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

The \$685,078 variance between the final amended budget and the June 30, 2018 actual results was due to budgeting for the anticipation of fully expending federal grant programs. The Special Education Flowthrough grant had \$250,182 more budgeted expenditures than actual expenditures which will carry over to the next fiscal year. The 2018-19 budget also reflected higher anticipated costs than actual expenditures for wages and related benefits 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.

The special education fund had total revenues of \$9,885,307, total expenditures of \$8,989,741, and \$404,723 of other financing uses (transfers out, including \$74,286 transferred to capital projects) resulting in an ending fund balance of \$1,810,505. This is an increase of \$490,843 in fund balance from the previous year.

Career-Technical Education Fund. The career-technical education fund actual revenues were \$5,870,333 which was more than the original budget estimate of \$5,417,077 and less than the final amended budget of \$5,942,135. The \$525,058 variance between the original budget and the final amended budget reflects a \$185,590 increase anticipated for Section 62 Mileage Equalization funding, a \$146,900 increase in the State for Section 61c Equipment and Mechatronic Grants, an increase of \$54,804 for State Aid received to assist in the payment of Michigan Public School Employee Retirement System (MPERS) expenses that was awarded after the original budget was developed, \$46,913 for the Michigan Department of Agriculture and Rural Development Grant, and \$35,320 for Renaissance Zone State Aid funds. The \$71,807 variance between the final amended budget and the June 30, 2018 actual results was due to collections of property taxes being lower than projected and grants carried over to the 2018-19 year.

The actual expenditures of the career-technical education fund were \$4,744,621, which is less than the original budget of \$4,872,924 and less than the final amended budget of \$5,513,986. The \$641,062 variance between the original budget and the final amended budget was due to an increase in the estimated cost of supplies and capital purchases of \$372,619, an increase of \$36,722 for cost of Michigan Public School Employee's Retirement System (MPERS) paid from increased State funding, and an increase in the estimated cost of tuition of \$30,730. The \$769,365 variance between the final amended budget and the June 30, 2018 actual results was due to significant increases in grant funding for capital and other supply purchases, administration maintained these purchases within the programs, but the purchases were within the grant resulting in actual costs being less than budgeted by \$350,967. The budget for various contracted services (such as substitute teachers and utility costs for the buildings) were budgeted \$228,466 which was higher than actual costs. The balance of the variance was for the difference in anticipated and actual wages/benefits.

The Career Tech Fund had total revenues of \$5,870,333, total expenditures of \$4,744,621, and \$806,149 other financing uses (transfers out) resulting in an ending fund balance of \$2,095,777. This is an increase of \$319,563 in fund balance from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018 the Agency had invested approximately \$27.9 million in capital assets, including school buildings, vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$1,091,356 from last year, primarily due to equipment purchases. Total depreciation expense for the year was \$563,181 (\$508,921 for 2017).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2018:

	Governmental Activities	Business-Type Activities	Total
Land & Improvements	\$ 791,575	\$ -	\$ 791,575
Buildings & Improvements	14,614,981	-	14,614,981
Furniture & Equipment	608,574	128,634	737,208
Vehicles	104,411	-	104,411
Total	<u>\$16,119,541</u>	<u>\$ 128,634</u>	<u>\$ 16,248,175</u>

Additional information on the Agency's capital assets can be found in Note G on pages 36 - 37 of this report.

Debt Administration. At year-end, the Agency had \$931,642 in long-term debt outstanding, of which \$148,796 is due within one year. The following table presents a summary of the Agency's outstanding long-term debt for the fiscal year ended June 30, 2018:

	Governmental Activities	Business-Type Activities	Business-Type Activities
Bonds Payable	\$ 865,000	\$ -	\$ 865,000
Leases Payable	-	13,796	13,796
Accrued Absences	48,765	4,081	52,846
Total	<u>\$ 913,765</u>	<u>\$ 17,877</u>	<u>\$ 931,642</u>

Additional information on the Agency's long-term debt can be found in Note H on pages 37 - 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2018-19 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 adopted by the State in June. This year the Section 81 funds (used for general administration for Intermediate School Districts/Educational Service Agencies) was appropriated at 2% increase as the 2017-18 allocation, however Section 81 funding is still lower than the 2008-09 fiscal year allocation level. This remains 16% lower than 2008-09 fiscal year. The Agency is anticipating a freeze in the Special Education (Sec. 56) and Vocational Education (Sec. 62) Millage Equalizations.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

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. The amount included in the 2018-19 budget for the Agency was \$1,168,271 or a 10.69% increase from 2017-18 actual revenues of \$1,055,459. Fiscal year 2017-18 was a 1.86% decrease over the amount received in 2016-17 of \$1,075,471. Fiscal year 2016-17 was a 11.09% increase over the amount received in 2015-16 of \$968,094. Fiscal year 2015-16 was a 38.72% increase over the amount received in 2014-15 of \$697,894. Fiscal years 2014-15 and 2013-14 amounts were both almost doubled the amounts budgeted in the prior years. These amounts are budgeted as expenditures and off-setting revenue for a zero net-effect on the budgets.

Federal Grant estimates in the 2018-19 budget reflects a 2% reduction from the 2017-18 budgets. This is mostly due to a reduction in the amount estimated for the Race to the Top Trusted Advisor Grant, which is temporary funding that is not expected to be maintained in 2018-19.

Property tax values for properties within the Agency's district are beginning to recover; however, the effects of Public Act (PA) 86 of 2014 reduces the collection of taxes on personal property. Therefore, the 2018-19 budget reflected only a 1.02% increase from 2017-18 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 5% to \$7,807,684 for fiscal year 2018-19. The decrease was largely due to the elimination of several one-time grants received in 2017-18 including grants for Race to the Top Trusted Advisor and FAFSA Early Literacy Grants. The Special Education Fund budgeted a 0.41% increase in expenditures (including transfers) to \$10,141,728 in fiscal year 2018-19. This increase is mainly due to an increase in the estimated of wages and benefits (adjusted after removing a program previously run by one of the districts). The Career Technical Fund budget reflected \$6,221,333 in expenditures (including transfers) for fiscal year 2018-19, a 1.90% decrease from the final 2017-18 budget of \$6,341,731. This decrease is mostly due to anticipated staffing changes with changes in programs offered.

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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Investments	\$ 7,216,675	\$ 1,708,473	\$ 8,925,148
Accounts Receivable	188,651	35,297	223,948
Due from Other Governmental Units	2,176,467	-	2,176,467
Inventory	53,159	-	53,159
Prepaid Expenses	184,838	14,916	199,754
Cash-Restricted	59,553	8,321	67,874
Total Current Assets	9,879,343	1,767,007	11,646,350
Noncurrent Assets			
Capital Assets not being Depreciated	791,575	-	791,575
Capital Assets Being Depreciated	15,327,966	128,634	15,456,600
Total Noncurrent Assets	16,119,541	128,634	16,248,175
Total Assets	25,998,884	1,895,641	27,894,525
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pensions	5,428,208	423,817	5,852,025
Deferred Outflows of Resources Related to OPEB	772,834	61,863	834,697
Total Deferred Outflows of Resources	6,201,042	485,680	6,686,722
Liabilities			
Current Liabilities			
Accounts Payable	107,869	8,644	116,513
Salaries Payable	730,248	598	730,846
Accrued Liabilities	673,091	10,525	683,616
Unearned Revenue	727,123	-	727,123
Due to Other School Districts	244,623	-	244,623
Current Portion of Long-Term Obligations	148,796	-	148,796
Total Current Liabilities	2,631,750	19,767	2,651,517
Noncurrent Liabilities			
Bonds Payable	730,000	-	730,000
Accrued Compensated Absences	48,765	4,081	52,846
Net Pension Liability	24,595,032	1,901,934	26,496,966
Net OPEB Liability	8,382,178	665,818	9,047,996
Total Noncurrent Liabilities	33,755,975	2,571,833	36,327,808
Total Liabilities	36,387,725	2,591,600	38,979,325
Deferred Inflows of Resources			
Deferred Inflows of Resources Related to Pensions	1,987,396	156,994	2,144,390
Deferred Inflows of Resources Related to OPEB	580,689	46,482	627,171
Total Deferred Inflows of Resources	2,568,085	203,476	2,771,561
Net Position			
Net Investment in Capital Assets	15,240,745	128,634	15,369,379
Restricted for Debt Service	9	-	9
Restricted for Food Service	3,954	-	3,954
Restricted for Fund Purposes	3,705,042	-	3,705,042
Unrestricted	(25,705,634)	(542,389)	(26,248,023)
Total Net Position	\$ (6,755,884)	\$ (413,755)	\$ (7,169,639)

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, 2018

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	Government Activities	Business-Type Activities	
Governmental Activities							
Instruction:							
Regular Instruction	\$ 2,196,628	\$ 3,367	\$ 2,717,191	\$ -	\$ 523,930	\$ -	\$ 523,930
Special Instruction	3,490,317	679,114	4,304,373	-	1,493,170	-	1,493,170
Vocational Instruction	3,020,541	320,721	1,172,074	-	(1,527,746)	-	(1,527,746)
Total Instruction	8,707,486	1,003,202	8,193,638	-	489,354	-	489,354
Support Services:							
Pupil Services	4,504,954	-	150,614	-	(4,354,340)	-	(4,354,340)
Instructional Staff Services	1,768,412	-	206,975	-	(1,561,437)	-	(1,561,437)
General Administration Services	398,099	-	5,360	-	(392,739)	-	(392,739)
School Administration Services	430,779	-	21,268	-	(409,511)	-	(409,511)
Business Services	808,395	-	81,226	-	(727,169)	-	(727,169)
Operations and Maintenance	1,759,230	469,240	-	-	(1,289,990)	-	(1,289,990)
Pupil Transportation Services	118,213	-	-	-	(118,213)	-	(118,213)
Central Services	966,418	-	50,000	-	(916,418)	-	(916,418)
Other Support Services	77,894	-	-	-	(77,894)	-	(77,894)
Total Support Services	10,832,394	469,240	515,443	-	(9,847,711)	-	(9,847,711)
Community Services	1,321,117	105,807	1,453,214	-	237,904	-	237,904
Food Services	19,452	-	-	-	(19,452)	-	(19,452)
Facilities Acquisition	89,015	-	-	229,491	140,476	-	140,476
Interest on Debt	25,444	-	-	-	(25,444)	-	(25,444)
Total Governmental Activities	20,994,908	1,578,249	10,162,295	229,491	(9,024,873)	-	(9,024,873)
Business-Type Activities							
Newaygo County Advanced Technology Services	2,176,639	2,536,951	-	-	-	360,312	360,312
Total Business-Type Activities	2,176,639	2,536,951	-	-	-	360,312	360,312
Total School District	<u>\$ 23,171,547</u>	<u>\$ 4,115,200</u>	<u>\$ 10,162,295</u>	<u>\$ 229,491</u>	\$ (9,024,873)	\$ 360,312	\$ (8,664,561)

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENT WIDE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	Net (Expenses) Revenues and Changes in Net Position		
	Government Activities	Business-Type Activities	Total
General Revenues			
Property Taxes			
General Purposes	\$ 180,922	\$ -	\$ 180,922
Special Education	4,021,068	-	4,021,068
Vocational Education	4,021,324	-	4,021,324
State and Federal Aids Not Restricted To Specific Functions:			
General	1,956,750	-	1,956,750
Interest and Investment Earnings	34,998	10,544	45,542
Miscellaneous	214,565	-	214,565
Total General Revenues	<u>10,429,627</u>	<u>10,544</u>	<u>10,440,171</u>
 Change in Net Position	 1,404,754	 370,856	 1,775,610
 Net Position - July 1, 2017 (Restated)	 <u>(8,160,638)</u>	 <u>(784,611)</u>	 <u>(8,945,249)</u>
 Net Position - June 30, 2018	 <u>\$ (6,755,884)</u>	 <u>\$ (413,755)</u>	 <u>\$ (7,169,639)</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2018**

	General Fund	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash/Investments	\$ 1,216,220	\$ 1,709,075	\$ 2,028,740	\$ 1,919,071	\$ 85	\$ 6,873,191
Accounts Receivable	48,897	159	24,783	102,569	3,956	180,364
Due from Other Governmental Units	775,299	1,079,041	311,249	6,922	-	2,172,511
Inventory	7,337	7,153	38,669	-	-	53,159
Prepaid Expenses	85,254	67,902	31,623	-	59	184,838
Cash-Restricted	3,660	47,948	7,945	-	-	59,553
Total Assets	<u>\$ 2,136,667</u>	<u>\$ 2,911,278</u>	<u>\$ 2,443,009</u>	<u>\$ 2,028,562</u>	<u>\$ 4,100</u>	<u>\$ 9,523,616</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 47,194	\$ 17,018	\$ 43,657	\$ -	\$ -	\$ 107,869
Salaries Payable	133,884	435,271	161,093	-	-	730,248
Payroll Taxes Payable	9,719	30,049	11,125	-	-	50,893
Fringe Benefits Payable	133,261	360,760	128,040	-	137	622,198
Unearned Revenue	710,754	13,052	3,317	-	-	727,123
Due to Other School Districts	-	244,623	-	-	-	244,623
Total Liabilities	<u>1,034,812</u>	<u>1,100,773</u>	<u>347,232</u>	<u>-</u>	<u>137</u>	<u>2,482,954</u>
Fund Balances						
Nonspendable Inventory	7,337	7,153	38,669	-	-	53,159
Nonspendable Prepaid Expenses	85,254	67,902	31,623	-	-	184,779
Restricted for Unemployment	3,660	47,948	7,945	-	-	59,553
Restricted for Debt Service	-	-	-	-	9	9
Restricted for Food Service	-	-	-	-	3,954	3,954
Restricted for Fund Purposes	-	1,687,502	2,017,540	-	-	3,705,042
Assigned for General Fund	-	-	-	48,938	-	48,938
Assigned for Special Ed Fund	-	-	-	483,132	-	483,132
Assigned for Career Tech Fund	-	-	-	710,395	-	710,395
Assigned for NCATS Fund	-	-	-	786,097	-	786,097
Unassigned	1,005,604	-	-	-	-	1,005,604
Total Fund Balances	<u>1,101,855</u>	<u>1,810,505</u>	<u>2,095,777</u>	<u>2,028,562</u>	<u>3,963</u>	<u>7,040,662</u>
Total Liabilities and Fund Balances	<u>\$ 2,136,667</u>	<u>\$ 2,911,278</u>	<u>\$ 2,443,009</u>	<u>\$ 2,028,562</u>	<u>\$ 4,100</u>	<u>\$ 9,523,616</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

Total Governmental Fund Balances	\$	7,040,662
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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		341,931
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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	\$ 28,246,222	
Governmental accumulated depreciation	<u>(12,126,681)</u>	16,119,541

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	5,428,208	
Deferred inflows of resources related to pensions	(1,987,396)	
Deferred outflows of resources related to OPEB	772,834	
Deferred inflows of resources related to OPEB	<u>(580,689)</u>	3,632,957

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		(48,765)
Bonds payable		(865,000)
Net pension liability		(24,595,032)
Net OPEB liability		<u>(8,382,178)</u>

Total Net Position - Governmental Activities	\$	<u><u>(6,755,884)</u></u>
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**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local Sources	\$ 1,444,193	\$ 4,742,097	\$ 4,230,909	\$ 7,572	\$ -	\$ 10,424,771
State Sources	4,030,385	2,660,405	1,438,448	229,491	1,181	8,359,910
Federal Sources	831,268	2,398,132	117,226	-	15,330	3,361,956
Interdistrict Sources	84,036	84,673	83,750	-	-	252,459
Total Revenues	6,389,882	9,885,307	5,870,333	237,063	16,511	22,399,096
Expenditures						
Instruction	1,903,510	1,689,083	3,072,003	-	-	6,664,596
Support Services:						
Pupil Services	157,520	4,171,936	168,104	-	-	4,497,560
Instructional Staff Services	899,103	738,721	126,624	-	-	1,764,448
General Administration Services	464,527	14,089	6,108	-	-	484,724
School Administration Services	-	-	349,289	-	-	349,289
Business Services	613,605	173,705	105,137	-	1,190	893,637
Operations & Maintenance	608,601	280,142	515,232	-	-	1,403,975
Pupil Transportation	102,711	4,064	11,420	-	-	118,195
Central Services	541,869	119,419	237,941	-	1,937	901,166
Other Support Services	-	-	77,889	-	-	77,889
Community Services	1,241,848	10,289	67,552	-	-	1,319,689
Food Services	-	-	-	-	19,430	19,430
Facilities Acquisition	-	-	7,322	862,144	-	869,466
Debt Service	-	-	-	-	154,177	154,177
Transfers to Other School Districts	-	1,788,293	-	-	-	1,788,293
Transfers to Other Entities	290,160	-	-	-	-	290,160
Total Expenditures	6,823,454	8,989,741	4,744,621	862,144	176,734	21,596,694
Excess Revenues Over (Under)						
Expenditures	\$ (433,572)	\$ 895,566	\$ 1,125,712	\$ (625,081)	\$ (160,223)	\$ 802,402

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	<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>
Other Financing Sources (Uses)						
Operating Transfers In	\$ 696,586	\$ -	\$ -	\$ 539,286	\$ 164,185	\$ 1,400,057
Operating Transfers Out	<u>(189,185)</u>	<u>(404,723)</u>	<u>(806,149)</u>	<u>-</u>	<u>-</u>	<u>(1,400,057)</u>
Total Other Financing Sources (Uses)	<u>507,401</u>	<u>(404,723)</u>	<u>(806,149)</u>	<u>539,286</u>	<u>164,185</u>	<u>-</u>
Net Change in Fund Balances	73,829	490,843	319,563	(85,795)	3,962	802,402
Fund Balances - July 1, 2017	<u>1,028,026</u>	<u>1,319,662</u>	<u>1,776,214</u>	<u>2,114,357</u>	<u>1</u>	<u>6,238,260</u>
Fund Balances - June 30, 2018	<u><u>\$ 1,101,855</u></u>	<u><u>\$ 1,810,505</u></u>	<u><u>\$ 2,095,777</u></u>	<u><u>\$ 2,028,562</u></u>	<u><u>\$ 3,963</u></u>	<u><u>\$ 7,040,662</u></u>

**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, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 802,402

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 20,939

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	\$ 1,012,225	
Depreciation expense reported in the statement of activities	(536,549)	
Amount by which capital outlays are greater (less) than depreciation in the current period:		475,676

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.

Decrease in compensated absences liability		123
Increase in deferred outflows of resources related to pensions		1,593,442
(Increase) in deferred inflows of resources related to pensions		(1,186,951)
(Increase) in net pension liability		(1,081,924)
Increase in deferred outflows of resources related to OPEB		772,834
(Increase) in deferred inflows of resources related to OPEB		(580,689)
Decrease in net OPEB liability		458,902

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.

The amount of debt principal payments in the current year is: 130,000

Change in Net Position - Governmental Activities \$ 1,404,754

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
Assets		
Current Assets		
Cash and Investments	\$ 1,708,473	\$ 343,484
Accounts Receivable	35,297	12,243
Prepaid Expenses	14,916	-
Cash-Restricted	8,321	-
Total Current Assets	1,767,007	355,727
Noncurrent Assets		
Furniture and Equipment	170,304	118,864
Site Improvements	30,451	-
Vehicles	51,550	-
Less Accumulated Depreciation	(123,671)	(54,906)
Total Net Noncurrent Assets	128,634	63,958
Total Assets	1,895,641	419,685
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	423,817	-
Deferred Outflows of Resources Related to OPEB	61,863	-
Total Deferred Outflows of Resources	485,680	-
Liabilities		
Current Liabilities		
Accounts Payable	8,644	-
Salaries Payable	598	-
Accrued Liabilities	10,525	-
Current Portion Long-Term Debt	-	13,796
Total Current Liabilities	19,767	13,796
Noncurrent Liabilities		
Accrued Compensated Absences	4,081	-
Net Pension Liability	1,901,934	-
Net OPEB Liability	665,818	-
Total Noncurrent Liabilities	2,571,833	-
Total Liabilities	2,591,600	13,796
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	156,994	-
Deferred Inflows of Resources Related to OPEB	46,482	-
Total Deferred Inflows of Resources	203,476	-
Net Position		
Net Investment in Capital Assets	128,634	-
Unrestricted	(542,389)	405,889
Total Net Position	\$ (413,755)	\$ 405,889

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, 2018

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
Operating Revenue		
Local Revenues	\$ 2,536,951	\$ 183,355
Operating Expenses		
Instruction	634	-
Support Services		
General Administration	5,802	-
Business Services	89,089	82,094
Operation & Maintenance	99,418	-
Central Services	1,969,467	65,401
Total Support Services	2,163,776	147,495
Total Expenses	2,164,410	147,495
Operating Income (Loss)	372,541	35,860
Non-Operating Revenues (Expenses)		
Depreciation Expense	(12,229)	(14,403)
Interest and Dividends	10,544	722
Interest Expense	-	(1,240)
Total Non-Operating Revenues (Expenses)	(1,685)	(14,921)
Change in Net Position	370,856	20,939
Net Position - July 1, 2017 (restated)	(784,611)	384,950
Net Position - June 30, 2018	\$ (413,755)	\$ 405,889

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 2,524,646	\$ 171,112
Cash Paid to Employees	(1,116,097)	-
Cash Paid to Suppliers	(1,073,657)	(147,495)
Net Cash Provided by Operating Activities	334,892	23,617
Cash Flows from Financing Activities		
Principal Payments on Long-Term Debt	-	(25,999)
Interest Expense	-	(1,240)
Net Cash (Used) by Financing Activities	-	(27,239)
Cash Flows from Investing Activities		
Purchases of Equipment	(25,134)	-
Interest and Dividends	10,544	722
Net Cash (Used) Provided by Investing Activities	(14,590)	722
Net Increase (Decrease) in Cash and Cash Equivalents	320,302	(2,900)
Cash and Cash Equivalents - July 1	1,388,171	346,384
Cash and Cash Equivalents - June 30	\$ 1,708,473	\$ 343,484
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 360,312	\$ 35,860
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	12,229	-
Prior Period Entry	(702,551)	-
(Increase) Decrease in Accounts Receivable	(11,465)	(12,243)
(Increase) Decrease in Prepaid Expenses	(840)	-
(Increase) Decrease in Deferred Outflows	(189,412)	-
Increase (Decrease) in Accounts Payable	(19,766)	-
Increase (Decrease) in Salaries Payables	135	-
Increase (Decrease) in Other Payroll Payables	(8,623)	-
Increase (Decrease) in Accrued Comp. Absences	959	-
Increase (Decrease) in Net Pension Liability	86,603	-
Increase (Decrease) in Net OPEB Liability	665,818	-
Increase (Decrease) in Deferred Inflows	141,493	-
Net Cash Provided by Operating Activities	\$ 334,892	\$ 23,617

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2018**

	<u>Agency Funds</u>
Assets	
Cash	\$ 58,696
Total Assets	\$ 58,696
Liabilities and Net Position	
Liabilities	
Due to Student Groups	\$ 58,696
Total Liabilities	58,696
Net Position	
Unrestricted	-
Total Liabilities and Net Position	\$ 58,696

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 9,000 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 district's 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.

1. Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standard's Board (GASB) Statement #14, "The Financial Reporting Entity" as amended by GASB Statement #39, "Determining Whether Certain Organizations are Component Units", the financial statements of the Newaygo County Regional Educational Service Agency contain all the funds that are controlled by, or dependent on, the Agency's Board of Education, including all activities considered by the Michigan Department of Education and state law to be a part of the operations of the Newaygo County Regional Educational Service Agency. Control by, or dependence on, the Agency was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Agency, obligation of the Agency to finance any deficits that may occur, receipt of significant subsidies from the Agency, disposition of surplus funds, and scope of public service.

2. 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 nonfiduciary 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 and intergovernmental revenues, 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-Wide and Fund Financial Statements (Continued)

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.

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

Separate financial statements are provided for governmental 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.

Deferred inflows of resources- The statement of net position and governmental funds balance sheet include a separate section for deferred inflow of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs.

3. 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 expenses 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. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 in cash. 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.

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, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Agency reports the following major proprietary fund:

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

See independent auditor's report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

4. Deposits and Investments

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

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

5. 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 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Inventories

Inventories are stated at cost using the first-in, first-out method. Career Tech Fund inventory consists of supplies held for resale by the instructional programs of the fund. Inventories are recorded as expenses 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.

7. 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 reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

8. 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 expenses when consumed.

9. Capital Assets

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

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

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

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

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

10. Long-term Obligations

In the government-wide financial statements, long-term debt and other 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 expenses at the time of issuance.

See independent auditor's report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Long-term Obligations (Continued)

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.

11. 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.

12. Postemployment Benefits Other than Pensions

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.

13. Tax Abatements

The Agency's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

14. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. NC RESA 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 NC RESA'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 NC RESA.

15. Fund Equity

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Restricted sources are used first when an expense 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, NC RESA 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.

15. 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.

16. Restricted Assets

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

17. Deferred Outflows/Inflows 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 had no items that qualified for reporting in this category.

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 had no items that qualified for reporting in this category.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

- A. Starting in January 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.
- B. In May the proposed budgets are presented at a public hearing to obtain taxpayer and constituent district comments and then approved by the Agency's Board of Education.
- C. 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.
- D. 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.
- E. 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.
- F. 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 did not have instances where expenditures exceeded the revised budget by a material amount for the year ended June 30, 2018.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE C – DEPOSITS AND INVESTMENTS

As of June 30, 2018, the Agency had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Standard & Poor's Rating</u>
Michigan Liquid Assets Fund *	\$ 1,260,905	N/A	AAAm
Michigan CLASS Pool	2,357,005	N/A	AAAm
Chemical Business Cash Mgmt	521,255	N/A	AAAm
 Total Fair Value	 <u>\$ 4,139,165</u>		

* Securities are valued at amortized cost rather than fair value

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, 2018, 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, 2018, 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.

Another type of account the Agency is invested in is a Business Cash Management account with Chemical Bank. The funds held in this account are not deposits, are not insured by FDIC, and repayment to the Agency is not guaranteed by the United States government of agency thereof. The bank's obligation to repay the amount in the accounts will likely be met by the bank's general banking assets rather than by the proceeds from the underlying government security or securities; the securities are collateral only, and the market value thereof may depreciate prior to the maturity of the bank's obligation to repay the amount in the accounts. In the event of a bank failure, the Agency's interest in the government security or securities will constitute a secured claim for purposes of FDIC claims priority. The funds in the Business Cash Management account are recorded at amortized cost which approximates fair value. These funds are not subject to fair value disclosures.

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:

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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. NC RESA's investment policy does not specifically address custodial credit risk for deposits.

As of June 30, 2018, \$6,986,689 of the Agency's bank balance of \$9,594,684 was exposed to custodial credit risk as follows:

Insured or Collateralized	\$ 2,607,995
Uninsured and Uncollateralized	3,368,779
Uninsured and collateral held by pledging bank's trust department not in Agency's name.	<u>3,617,910</u>
Total Bank Balance	<u><u>\$ 9,594,684</u></u>

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

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

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

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

- | | |
|---------------------|-------------------------------|
| 1. Huntington Bank | 4. Michigan Liquid Asset Fund |
| 2. Chemical Bank | 5. Michigan CLASS |
| 3. Independent Bank | 6. ChoiceOne 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	\$ 7,337	\$ 7,153	\$ 38,669	\$ 53,159

NOTE E - RECEIVABLES AND UNEARNED REVENUE

Receivables

Receivables, net of allowance for uncollectibles, as of year end 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	\$ 48,897	\$ 775,299	\$ 824,196
Special Education Fund	159	1,079,041	1,079,200
Career Tech Fund	24,783	311,249	336,032
Capital Projects Fund	102,569	6,922	109,491
Non-Major Governmental Funds	3,956	-	3,956
NCATS Fund	35,297	-	35,297
Office Service Fund	12,243	-	12,243
Total	\$ 227,904	\$ 2,172,511	\$ 2,400,415

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE E - RECEIVABLES AND UNEARNED REVENUE (CONTINUED)

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 the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant draw downs prior to meeting all eligibility requirements		
General Fund	\$ -	\$ 710,754
Special Education	-	13,052
Career Tech	-	3,317
	\$ -	\$ 727,123
Total		

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

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables/Payables

There were no amounts receivable or payables between funds at June 30, 2018.

Transfers

		Transfers From				Total
		General Fund	Debt Retirement Fund	Capital Projects Fund	Food Service Fund	
Transfers To	General Fund	\$ -	\$ 154,185	\$ 25,000	\$ 10,000	\$ 189,185
	Special Education Fund	330,437	-	74,286	-	404,723
	Career Tech Fund	366,149	-	440,000	-	806,149
	Debt Retirement Fund	-	-	-	-	-
	Total	\$ 696,586	\$ 154,185	\$ 539,286	\$ 10,000	\$ 1,400,057

Transfers into the General Fund in the amount of \$696,586 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 fund to the Debt Retirement Fund to help meet current debt retirement obligation. The General Fund transferred funds to the School Lunch fund to cover expenses.

See independent auditor's report.

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE G - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2018 follows:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental-Type Activities				
Capital Assets not being depreciated				
Land	\$ 791,575	-	\$ -	\$ 791,575
Capital Assets Being Depreciated				
Permanently Installed Building Equipment	82,355	-	-	82,355
Site Improvements	2,768,147	13,924	-	2,782,071
Buildings	9,868,932	536,823	(13,924)	10,391,831
Building Additions	10,295,202	154,986	-	10,450,188
Equipment and Furniture	3,147,438	315,213	(41,665)	3,420,986
Vehicles	364,757	48,565	(86,107)	327,215
Totals at Historical Cost	<u>26,526,831</u>	<u>1,069,511</u>	<u>(141,696)</u>	<u>27,454,646</u>
Less Accumulated Depreciation for				
Permanently Installed Building Equipment	(55,785)	(10,679)	-	(66,464)
Site Improvements	(2,547,983)	(29,886)	-	(2,577,869)
Buildings	(3,240,123)	(157,205)	35,392	(3,361,936)
Building Additions	(2,886,769)	(198,426)	-	(3,085,195)
Equipment and Furniture	(2,696,120)	(133,200)	16,908	(2,812,412)
Vehicles	(287,355)	(21,556)	86,107	(222,804)
Total Accumulated Depreciation	<u>(11,714,135)</u>	<u>(550,952)</u>	<u>138,407</u>	<u>(12,126,680)</u>
Net Capital Assets being depreciated	<u>14,812,696</u>	<u>518,559</u>	<u>(3,289)</u>	<u>15,327,966</u>
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$ 15,604,271</u>	<u>\$ 518,559</u>	<u>\$ (3,289)</u>	<u>\$ 16,119,541</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Site Improvements	\$ 5,317	25,134	\$ -	\$ 30,451
Vehicles	51,550	-	-	51,550
Equipment and Furniture	170,304	-	-	170,304
Totals at Historical Cost	<u>227,171</u>	<u>25,134</u>	<u>-</u>	<u>252,305</u>
Less Accumulated Depreciation for				
Site Improvements	(487)	(783)	-	(1,270)
Vehicles	(4,355)	(6,284)	-	(10,639)
Equipment and Furniture	(106,600)	(5,162)	-	(111,762)
Total Accumulated Depreciation	<u>(111,442)</u>	<u>(12,229)</u>	<u>-</u>	<u>(123,671)</u>
Total Business-Type Activities				
Capital Assets - Net of Depreciation	<u>\$ 115,729</u>	<u>\$ 12,905</u>	<u>\$ -</u>	<u>\$ 128,634</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE G - CAPITAL ASSETS (CONTINUED)

All Activities

Governmental	\$ 27,318,406	\$ 1,069,511	\$ (141,696)	\$28,246,221
Business-Type	<u>227,171</u>	<u>25,134</u>	<u>-</u>	<u>252,305</u>
Totals at Historical Cost	27,545,577	1,094,645	(141,696)	28,498,526
Less Accumulated Depreciation for				
Governmental	(11,714,135)	(550,952)	138,407	(12,126,680)
Business-Type	<u>(111,442)</u>	<u>(12,229)</u>	<u>-</u>	<u>(123,671)</u>
Total Accumulated Depreciation	<u>(11,825,577)</u>	<u>(563,181)</u>	<u>138,407</u>	<u>(12,250,351)</u>
All Activities Capital Assets, Net	<u>\$ 15,720,000</u>	<u>\$ 531,464</u>	<u>\$ (3,289)</u>	<u>\$16,248,175</u>

Depreciation expense was charged to governmental functions as follows:

Instruction - Vocational Education/Special Education	\$ 157,223
Operation and Maintenance	<u>393,729</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 550,952</u>

NOTE H - GENERAL LONG-TERM OBLIGATIONS

Governmental Activities

The long-term debt includes Bonds Payable and Vacation & 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.

Bonds Payable were comprised of the following at June 30, 2018:

Vocational Education Building and Site Bonds - \$1,250,000, 2014 Vocational Education Building and Site Bonds due in annual installments of \$14,066 to \$159,650 through 2024; interest payable annually at 2.09 percent. At June 30, 2018, the remaining principal balance was \$865,000.

Compensated Absences - Accumulated unpaid vacation at June 30, 2018 has been computed and recorded in the financial statements of the Agency as part of the Non-current Liabilities as the liability is expected to be financed from future governmental funds' resources. At present the Agency Administration and Administration Support employees accumulate unused vacation days and are reimbursed, based upon years of administrative service, at their current hourly or salary rate upon retirement. At June 30, 2018, the accumulated liability for unpaid vacation pay was \$52,846. This total was comprised of \$48,765 for governmental funds and \$4,081 for business type funds.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE H - GENERAL LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-Term Liabilities - The following is a summary of governmental-type long-term liability activity of the Agency for the year ended June 30, 2018:

	<u>Compensated Absences</u>	<u>Bonds Payable</u>	<u>Total</u>
Debt Outstanding - July 1	\$ 52,010	\$ 995,000	\$ 1,047,010
Debt Added During Year	134,101	-	134,101
Debt Retired During Year	<u>(133,265)</u>	<u>(130,000)</u>	<u>(263,265)</u>
Debt Outstanding - June 30	<u>\$ 52,846</u>	<u>\$ 865,000</u>	<u>\$ 917,846</u>
Amounts Due Within One Year	\$ -	\$ 135,000	\$ 135,000

The amount of total long-term liabilities related to business-type activities is \$4,081 of compensated absences.

Debt Service requirements at June 30, 2018 were as follows:

Year Ended <u>June 30,</u>	<u>2014 Vocational Education Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 135,000	\$ 21,076
2020	140,000	18,376
2021	140,000	15,576
2022	145,000	12,776
2023	150,000	9,150
2024-2025	<u>155,000</u>	<u>4,650</u>
Total	<u>\$ 865,000</u>	<u>\$ 81,604</u>

Business Type Activities

Capital Lease Payable - The Newaygo County Regional Educational Service Agency (the "Agency") entered into agreements with US Bank on November 7, 2013 and August 24, 2015 for the lease of various printers and copiers. The equipment is located in various buildings owned by the Agency. The 2013 lease terms include 60 monthly payments of \$2,090 to be applied to interest and principal in addition to a monthly payment of \$660 for a maintenance agreement. The 2015 lease terms include 39 monthly payments of \$180 to be applied to interest and principal. At the time of final payment on December 16, 2018 for the 2013 lease and February 24, 2019 for the 2015 lease, the Agency will own the equipment. At June 30, 2018, the remaining principal balance of the combined lease agreements was \$13,796.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE H - GENERAL LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-Term Liabilities - The following is a summary of business-type long-term liability activity of the Agency for the year ended June 30, 2018:

	Office Services Capital Leases
Debt Outstanding - July 1	\$ 39,796
Debt Added During Year	-
Debt Retired During Year	(26,000)
Debt Outstanding - June 30	\$ 13,796
Amounts Due Within One Year	\$ 13,796

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended June 30,	Office Services Principal	Capital Leases Interest
2019	\$ 13,796	\$ 185

NOTE I - PROPERTY TAXES

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

NOTE J - MPSERS 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).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

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

Benefits Provided

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

A DB member 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, 2016 valuation will be amortized over a 20 year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for the fiscal year 2017.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.00 - 4.00%	19.03%
Member Investment Plan	3.00 - 7.00%	19.03%
Pension Plus	3.00 - 6.40%	18.40%
Defined Contribution	0%	15.27%

Required contributions to the pension plan from Newaygo County Regional Educational Service Agency were \$2,398,273 for the year ended September 30, 2017.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

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

At June 30, 2018, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$26,496,967 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the Agency's proportion was 0.10224863 percent, which was an increase of 0.004976337 percent from its proportion measured as of September 30, 2016.

For the year ended June 30, 2018, the Agency recognized pension expense of \$3,152,059. At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Asset Class</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 230,277	\$ 130,015
Changes of assumptions	2,902,953	-
Net difference between projected and actual earnings on pension plan investments	-	1,266,729
Changes in proportion and differences between Agency contributions and proportionate share of contributions	817,499	13,469
Agency section 147c revenue related to pension contributions subsequent to the measurement date	-	734,177
Agency contributions subsequent to the measurement date	<u>1,901,296</u>	<u>-</u>
Total	<u>\$ 5,852,025</u>	<u>\$ 2,144,390</u>

Contributions subsequent to the measurement date are reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

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

Year Ending		<u>Amount</u>
<u>June 30</u>		
2018	\$	888,318
2019	\$	1,233,003
2020	\$	454,422
2021	\$	(35,227)

Actuarial Assumption

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions:

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	7.5%
-Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5% - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality	RP-2000 Male and Female Combine Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation for the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 4.5188
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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, 2017, 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	28.00%	5.60%
% Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	-0.90%
Total	<u>100.00%</u>	

*Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus 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.

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 7.5% (7.0% for the Pension Plus 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:

<u>1% Decrease (Non-Hybrid/Hybrid) *</u>	<u>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) *</u>	<u>1% Increase (Non-Hybrid/Hybrid) *</u>
6.5%/6.0%	7.5%/7.0%	8.5%/8.0%
\$ 34,516,734	\$ 26,496,967	\$ 19,744,833

* = The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

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.

Payables to the Pension Plan

The amount of payables to a defined benefit pension plan outstanding at the end of the reporting period were \$275,117. The payables were based upon the wages being paid over the period from July 1 through August 31, 2018 which were for services provided prior to June 30, 2018 and therefore legally required contributions to the pension plan.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE K - MPSERS OPEB 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 health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

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

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the 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, 2018, (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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

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, 2016 valuation will be amortized over a 20 year period for the 2017 fiscal year.

The schedule below summarizes pension contribution rates in effect for the fiscal year 2017.

OPEB Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from Newaygo County Regional Educational Service Agency were \$795,468 for the year ended September 30, 2017.

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

At June 30, 2018, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$9,047,996 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. 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, 2017, the Agency's proportion was 0.10217408 percent, which was no change from its proportion measured as of September 30, 2016.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

For the year ended June 30, 2018, the Agency recognized OPEB expense of \$305,889. At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Asset Class</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 96,335
Changes of assumptions	-	209,554
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	2,644	-
Agency section 147c revenue related to OPEB contributions subsequent to the measurement date	-	321,282
Agency contributions subsequent to the measurement date	<u>832,053</u>	<u>-</u>
Total	<u>\$ 834,697</u>	<u>\$ 627,171</u>

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, 2019. 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)

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ (73,328)
2019	(73,328)
2020	(73,328)
2021	(73,328)
2022	(9,934)

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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, 2017, 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	28.00%	5.60%
% Alternative Investment Pools	18.00%	8.70%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	-0.10%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.00%
Short Term Investment Pools	2.00%	-0.90%
Total	<u>100.00%</u>	

*Long term rate of return does not include 2.3% inflation

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

Discount Rate

A discount rate of 7.5% 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 7.5%. 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.

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 7.5%, 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
\$ 10,597,819	\$ 9,047,996	\$ 7,732,682

* = The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

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 6.50%	Current Healthcare Cost Trend Rate 7.50%	1% Increase 8.50%
\$ 7,662,436	\$ 9,047,996	\$ 10,621,202

* = The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

Payables to the OPEB Plan

The amount of payables to a defined benefit OPEB plan outstanding at the end of the reporting period were \$102,376. The payables were based upon the wages being paid over the period from July 1 through August 31, 2018 which were for services provided prior to June 30, 2018 and therefore legally required contributions to the OPEB plan.

NOTE L - UNEMPLOYMENT COMPENSATION

The Agency has elected to finance its unemployment liability as a "reimbursing employer." Under this method, the Agency reimburses the Michigan Employment Security Commission for all benefits charged to the Agency's account during the previous calendar year. The Agency also elects to accumulate funds in a restricted cash account for the contingency of paying for these costs when incurred. Due to a significant balance in the restricted cash account from multiple years of allocation, the Agency elected to freeze allocation for the 2017-2018 fiscal year.

NOTE M - LEASE AGREEMENTS

Ground Lease

On April 19, 1999, the Newaygo County Regional Educational Service Agency ("Lessor") and the County of Newaygo ("Lessee") entered into a lease for approximately 1.42 acres of land.

Lease Agreement - Michigan WORKS! West Central

On September 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and Michigan WORKS! West Central ("Lessee") entered into a lease for 3,365 square feet of office space at \$1 per square foot at the Regional Center for AgriScience and Career Advancement building. The monthly rent of \$1 per square foot, \$3,365 is due on the first of each month commencing on September 1, 2015. The initial term of the lease commences on September 1, 2015 and terminates October 31, 2019. Tenant shall have the option to renew lease for one additional five (5) year term.

Lease Agreement - The Arts Center for Newaygo County

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

Lease Agreement - Baker College

On September 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and Baker College ("Lessee") entered into a lease for five (5) classrooms and two (2) labs in the instructional wings at the Regional Center for AgriScience and Career Advancement building. The facilities are used to deliver classes to the community in Newaygo County which will lead to an associated, baccalaureate or master's degree. A lease payment of \$7,500 per month will be payable to the Lessor on a schedule that is mutually agreeable to the parties. The Lease terminates August 31, 2020. Tenant shall have the option to renew lease for an additional five (5) year term. Unless terminated pursuant to provisions within the agreement, the lease automatically renews for an additional year until either party gives written notice that they do not want to renew.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE M - LEASE AGREEMENTS (CONTINUED)

Lease Agreement - The Gerber Foundation

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

Lease Agreement - Muskegon Community College

On November 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and Muskegon Community College ("Lessee") entered into a lease for office space. The initial term of the lease commences November 1, 2015 and terminates August 31, 2035. The lease for the year ended June 30, 2017 consisted of office space with rent due at \$1,070 per month, classrooms with rent due at \$15 per half day and labs at \$25 per half day.

Lease Agreement - County of Newaygo

On September 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and the County of Newaygo ("Lessee") entered into a lease for two offices, one receptionist space, and up to 8 hours of classroom space at the Regional Center for AgriScience and Career Advancement building. A lease payment of \$1,592 per month will be payable by the first day of each month. The monthly payment may be reduced by the cost of the part-time receptionist position which is costs \$941. This agreement commences September 1, 2015 and continues through August 31, 2020 at which time it will be renewable annually.

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 \$0, which equals the interest expense and the total interest incurred for the year.

NOTE P - 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, 2018, the most recent balance sheet presented herein, through October 24, 2018, the date these financial statements were available to be issued. There are no known significant such events or transactions identified.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE Q - ECONOMIC DEPENDENCY

The State of Michigan provides State Aid to the Agency. These revenues represent 33.3% of the total Agency revenues.

NOTE R - ADOPTION OF NEW ACCOUNTING STANDARDS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was implemented during the year. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

NOTE S - RESTATEMENT OF BEGINNING NET POSITION

The beginning net position has been restated for governmental activities and business-type activities due to a change in accounting principles related to implementation of GASB 75. The beginning net position was decreased by \$8,787,083 and \$702,551 respectively for the governmental and business-type activities.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local Sources	\$1,791,677	\$1,770,485	\$ 1,444,193	\$ (21,192)	\$ (326,292)
State Sources	4,308,861	4,579,034	4,030,385	270,173	(548,649)
Federal Sources	886,438	1,000,519	831,268	114,081	(169,251)
Interdistrict Sources	119,685	118,814	84,036	(871)	(34,778)
Total Revenues	7,106,661	7,468,852	6,389,882	362,191	(1,078,970)
Expenditures					
Instruction	2,334,355	2,188,544	1,903,510	430,845	285,034
Support Services					
Instruction	1,260,891	1,446,695	1,056,623	(185,804)	390,072
Administration	1,017,431	1,200,541	1,078,132	(183,110)	122,409
Operations & Maintenance	656,610	666,077	608,601	(9,467)	57,476
Pupil Transportation	127,958	112,730	102,711	15,228	10,019
Central Services	489,345	597,906	541,869	(108,561)	56,037
Total Support Services	3,552,235	4,023,949	3,387,936	(471,714)	636,013
Community Services	1,435,031	1,475,724	1,241,848	(40,693)	233,876
Payments to Other Entities	336,630	351,440	290,160	14,810	61,280
Total Expenditures	7,658,251	8,039,657	6,823,454	(381,406)	1,216,203
Excess of Revenues (Under) Over Expenditures	(551,590)	(570,805)	(433,572)	(19,215)	137,233
Other Financing Sources (Uses)					
Operating Transfers In	733,840	73,987	696,586	(659,853)	622,599
Operating Transfers Out	(191,014)	(189,185)	(189,185)	1,829	-
Total Other Financing Sources (Uses)	542,826	(115,198)	507,401	(658,024)	622,599
Net Change in Fund Balances	(8,764)	(686,003)	73,829	(677,239)	759,832
Fund Balances - July 1, 2017	1,028,026	1,028,026	1,028,026	-	-
Fund Balances - June 30, 2018	\$ 1,019,262	\$ 342,023	\$ 1,101,855	\$ (677,239)	\$ 759,832

**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, 2018**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local Sources	\$ 4,632,985	\$ 4,842,394	\$ 4,742,097	\$ 209,409	\$ (100,297)
State Sources	2,278,078	2,630,570	2,660,405	352,492	29,835
Federal Sources	2,543,981	2,643,592	2,398,132	99,611	(245,460)
Interdistrict Sources	2,500	87,175	84,673	84,675	(2,502)
Total Revenues	9,457,544	10,203,731	9,885,307	746,187	(318,424)
Expenditures					
Instruction	1,718,837	1,758,369	1,689,083	(39,532)	69,286
Support Services					
Instruction	5,100,051	5,363,807	4,910,657	(263,756)	453,150
Administration	150,944	263,158	187,794	(112,214)	75,364
Operations & Maintenance	275,932	310,446	280,142	(34,514)	30,304
Pupil Transportation	6,200	6,000	4,064	200	1,936
Central Services	116,943	125,975	119,419	(9,032)	6,556
Total Support Services	5,650,070	6,069,386	5,502,076	(419,316)	567,310
Community Services	11,459	10,726	10,289	733	437
Transfers to Other School Dist.	1,783,301	1,836,338	1,788,293	53,037	48,045
Total Expenditures	9,163,667	9,674,819	8,989,741	(511,152)	685,078
Excess of Revenue (Under) Over Expenditures	293,877	528,912	895,566	235,035	366,654
Other Financing Sources (Uses)					
Operating Transfers Out	(339,885)	(425,827)	(404,723)	(85,942)	21,104
Net Change in Fund Balance	(46,008)	103,085	490,843	149,093	387,758
Fund Balance - July 1, 2018	1,319,662	1,319,662	1,319,662	-	-
Fund Balance - June 30, 2017	\$ 1,273,654	\$ 1,422,747	\$ 1,810,505	\$ 149,093	\$ 387,758

**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, 2018**

	Budget Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local Sources	\$ 4,267,903	\$ 4,350,987	\$ 4,230,909	\$ 83,084	\$ (120,078)
State Sources	937,572	1,388,172	1,438,448	450,600	50,276
Federal Sources	128,352	117,226	117,226	(11,126)	-
Interdistrict Sources	83,250	85,750	83,750	2,500	(2,000)
Total Revenues	5,417,077	5,942,135	5,870,333	525,058	(71,802)
Expenditures					
Instruction	3,141,980	3,548,179	3,072,003	(406,199)	476,176
Support Services					
Instruction	270,564	334,501	294,728	(63,937)	39,773
Administration	552,178	559,298	460,534	(7,120)	98,764
Operations & Maintenance	572,999	611,404	515,232	(38,405)	96,172
Pupil Transportation	16,850	17,250	11,420	(400)	5,830
Central Services	207,167	245,834	237,941	(38,667)	7,893
Other Support Services	81,400	106,950	77,889	(25,550)	29,061
Total Support Services	1,701,158	1,875,237	1,597,744	(174,079)	277,493
Community Services	30,486	83,070	67,552	(52,584)	15,518
Facilities Acquisition	-	7,500	7,322	7,500	178
Total Expenditures	4,873,624	5,513,986	4,744,621	(640,362)	769,365
Excess of Revenues Over Expenditures	543,453	428,149	1,125,712	(115,304)	697,563
Other Financing Sources (Uses)					
Operating Transfers Out	(869,269)	(827,745)	(806,149)	41,524	21,596
Net Change in Fund Balance	(325,816)	(399,596)	319,563	(73,780)	719,159
Fund Balance - July 1, 2017	1,776,214	1,776,214	1,776,214	-	-
Fund Balance - June 30, 2018	\$ 1,450,398	\$ 1,376,618	\$ 2,095,777	\$ (73,780)	\$ 719,159

**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 (%)	-	-	-	-	-	-	.10225%	.10152%	.10100%	0.09390%
B. Agency's proportionate share of net pension liability	-	-	-	-	-	-	\$ 26,496,967	\$ 25,328,439	\$ 24,670,237	\$ 20,683,941
C. Agency's covered-employee payroll	-	-	-	-	-	-	\$ 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 (%)	-	-	-	-	-	-	308.75035%	294.67815%	293.07024%	259.47474%
E. Plan fiduciary net position as a percentage of total pension liability	-	-	-	-	-	-	64.21000%	63.27000%	63.17000%	66.20000%

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 2017.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2017.

**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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,497,138	\$ 1,562,616	\$ 1,676,489	\$ 1,824,855
B. Contributions in relation to statutorily required contributions *	-	-	-	-	-	-	1,497,138	1,562,616	1,676,489	1,824,855
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Agency's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,677,355	\$ 8,972,498	\$ 8,492,496	\$ 8,385,350
E. Contributions as a percentage of covered-employee payroll							17.25339%	17.41562%	19.74083%	21.76242%

* 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 2017.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2017.

**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 (%)	-	-	-	-	-	-	-	-	-	0.10217%
B. Agency's proportionate share of net OPEB liability	-	-	-	-	-	-	-	-	-	\$ 9,047,996
C. Agency's covered-employee payroll (OPEB)	-	-	-	-	-	-	-	-	-	\$ 8,582,004
D. Agency's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	-	-	-	-	-	-	-	-	-	105.42987%
E. Plan fiduciary net position as a percentage of total OPEB liability	-	-	-	-	-	-	-	-	-	36.39000%

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 2017.

Changes of assumptions: There were no changes of benefit assumptions in FY 2017.

**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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,284
B. Contributions in relation to statutorily required contributions *	-	-	-	-	-	-	-	-	-	611,284
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Agency's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,677,355
E. Contributions as a percentage of covered-employee payroll										7.04459%

* 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 2017.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2017.

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET - GENERAL FUND
JUNE 30, 2018 AND 2017

	2018	2017
Assets		
Cash and Investments	\$ 1,216,220	\$ 1,301,813
Accounts Receivable	48,897	117,099
Due from Other Governmental Units	775,299	707,803
Inventory	7,337	7,097
Prepaid Expenses	85,254	97,827
Other Asset	-	327
Cash-Restricted	3,660	3,660
 Total Assets	 \$ 2,136,667	 \$ 2,235,626
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	\$ 47,194	\$ 140,496
Salaries Payable	133,884	137,514
Payroll Taxes Payable	9,719	9,978
Fringe Benefits Payable	133,261	179,773
Unearned Revenue	710,754	739,839
 Total Liabilities	 1,034,812	 1,207,600
Fund Balances		
Nonspendable Inventory	7,337	7,097
Nonspendable Prepaid Expenses	85,254	97,827
Restricted for Unemployment Expense	3,660	3,660
Unassigned	1,005,604	919,442
 Total Fund Balances	 1,101,855	 1,028,026
 Total Liabilities and Fund Balances	 \$ 2,136,667	 \$ 2,235,626

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Revenues		
Local Sources		
Property Taxes - Current	\$ 180,922	\$ 178,564
Interest on Investments	2,043	3,644
Tuition	-	116,796
Sales	3,367	13,865
Community Service Activities	105,807	98,706
Grants and Donations	582,380	713,743
Rental of Property	469,240	446,154
Miscellaneous	<u>100,434</u>	<u>101,850</u>
Total Local Sources	1,444,193	1,673,322
State Sources		
State Aid	4,001,513	3,988,092
Other State Grants	<u>28,872</u>	<u>54,772</u>
Total State Sources	4,030,385	4,042,864
Federal Sources		
Drug Free Schools	109,245	130,186
Homeless Students	39,609	33,142
Small, Rural School Achievement	23,458	25,828
Substance Use Disorder Prevention Services	55,727	65,866
Employment Services	114,859	113,358
Race to the Top-Early Learning Challenge	84,579	15,300
WIA	363,819	340,839
Trade Act	<u>39,972</u>	<u>65,129</u>
Total Federal Sources	831,268	789,648
Interdistrict Sources		
Saturday Detention	67,844	114,053
Professional Development Consortium	<u>16,192</u>	<u>14,841</u>
Total Interdistrict Sources	<u>84,036</u>	<u>128,894</u>
Total Revenues	<u>\$ 6,389,882</u>	<u>\$ 6,634,728</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Expenditures		
Instruction		
Basic Programs		
High School	\$ 2,645	\$ 118,360
Pre-School	1,900,865	1,816,833
	1,903,510	1,935,193
 Supporting Services		
Pupil Services		
Truancy Absenteeism Service	21,504	25,859
Guidance Services	59,091	66,149
Other Pupil Services	76,925	71,119
	157,520	163,127
 Instructional Staff		
Improvement of Instruction	446,469	816,225
Educational Television	2,810	7,490
Supervision and Direction of Instr. Staff	388,459	340,745
Other Instructional Staff Services	61,365	72,003
	899,103	1,236,463
 General Administration		
Board of Education	32,426	91,287
Executive Administration	350,265	334,908
Other General Administration	81,836	90,631
	464,527	516,826
 Business Services		
Fiscal Services	429,483	386,358
Internal Services	91,133	88,753
Other Business Services	92,989	67
	613,605	475,178
 Operations and Maintenance Services		
Operating Building Services	608,601	612,642
 Pupil Transportation Services	102,711	105,089

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES - GENERAL FUND (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Central Services		
Planning, Research, Development and Evaluation	\$ 34,494	\$ 14,290
Communication Services	29,093	21,233
Personnel Services	207,272	138,938
Information Management Services	214,573	278,266
Pupil Accounting	28,082	27,907
Other Central Services	<u>28,355</u>	<u>31,046</u>
Total Central	<u>541,869</u>	<u>511,680</u>
Total Support Services	3,387,936	3,621,005
Community Services		
Community Activities	671,185	720,169
Custody & Care of Children	189,898	185,836
Other Community Services	<u>380,765</u>	<u>393,599</u>
Total Community Services	1,241,848	1,299,604
Payments to Other Entities	290,160	337,193
Transfers to Other School Districts	-	12,900
Facilities Acquisition		
Building Acquisition and Construction Services	<u>-</u>	<u>12,928</u>
Total Expenditures	<u><u>\$ 6,823,454</u></u>	<u><u>\$ 7,218,823</u></u>

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET
SPECIAL EDUCATION MAJOR SPECIAL REVENUE FUND
JUNE 30, 2018 AND 2017

	2018	2017
Assets		
Cash and Investments	\$ 1,709,075	\$ 1,302,207
Accounts Receivable	159	-
Due from Other Governmental Units	1,079,041	992,156
Inventory	7,153	15,875
Prepaid Expenses	67,902	63,563
Cash-Restricted	47,948	47,948
	\$ 2,911,278	\$ 2,421,749
 Total Assets		
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 17,018	\$ 89,965
Salaries Payable	435,271	419,769
Payroll Taxes Payable	30,049	28,701
Fringe Benefits Payable	360,760	381,331
Unearned Revenue	13,052	12,371
Due to Other School Districts	244,623	169,949
	1,100,773	1,102,086
 Total Liabilities		
 Fund Balances		
Non-Spendable for Inventory	7,153	15,875
Non-Spendable for Prepaid Expenses	67,902	63,563
Restricted for Unemployment Expense	47,948	47,948
Restricted for Fund Purposes	1,687,502	1,192,276
	1,810,505	1,319,662
 Total Fund Equity		
 Total Liabilities and Fund Equity		
	\$ 2,911,278	\$ 2,421,748

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUE
SPECIAL EDUCATION MAJOR SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Revenues		
Local Sources		
Property Taxes - Current	\$ 4,021,068	\$ 3,966,932
Interest on Investments	9,807	3,970
School Based Services	679,114	517,856
Merchandise Sales	6,421	696
Grants and Donations	25,254	10,228
Miscellaneous	433	1,344
Total Local Sources	4,742,097	4,501,026
State Sources		
State Aid	2,660,405	2,323,580
Federal Sources		
P.L. 94-142 - IDEA Flow Through	2,092,865	1,989,373
P.L. 94-142 - Preschool Incentive	97,804	100,032
P.L. 94-142 - State Initiative/TS	100,000	100,000
P.L. 94-457 - Infant and Toddler Formula Grant	81,341	85,967
Medicaid Outreach	26,122	27,907
Total Federal Sources	2,398,132	2,303,279
Interdistrict Sources		
Out of District Tuition	84,673	-
Total Revenues	\$ 9,885,307	\$ 9,127,885

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES
SPECIAL EDUCATION MAJOR SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Instruction		
Added Needs		
Special Education	\$ 1,689,083	\$ 1,496,076
Supporting Services		
Pupil Services		
Guidance Services	-	7,251
Health Services	608,570	593,450
Psychological Services	455,427	459,352
Speech Therapist	1,719,032	1,720,338
Social Work Services	248,150	245,654
Visual Aid Services	6,847	24,219
Teacher Consultant	1,079,801	992,807
Other Pupil Services	54,109	51,632
Total Pupil Services	<u>4,171,936</u>	<u>4,094,703</u>
Instructional Staff		
Improvement of Instruction	44,114	55,637
Supervision and Direction of Instructional Staff	694,607	699,297
Total Instructional Staff	<u>738,721</u>	<u>754,934</u>
General Administration		
Board of Education	14,089	12,222
Business Services		
Fiscal Services	66	360
Internal Services	73,602	62,190
Other Business Services	100,037	26,753
Total Business Services	<u>173,705</u>	<u>89,303</u>
Operations and Maintenance Services	280,142	239,207
Pupil Transportation Services	4,064	4,014
Central Services		
Planning, Research, Development and Evaluation	51,866	56,369
Information Management Services	67,553	66,818
Total Central	<u>119,419</u>	<u>123,187</u>
Total Support Services	<u>5,502,076</u>	<u>5,317,570</u>
Community Services		
Other Community Services	<u>10,289</u>	<u>11,719</u>
Total Community Services	<u>10,289</u>	<u>11,719</u>
Total Expenditures	<u><u>\$ 7,201,448</u></u>	<u><u>\$ 6,825,365</u></u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET
CAREER TECH MAJOR SPECIAL REVENUE FUND
JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Cash and Investments	\$ 2,028,740	\$ 1,791,980
Accounts Receivable	24,783	52,078
Due from Other Governmental Units	311,249	234,776
Inventory	38,669	34,606
Prepaid Expenses	31,623	27,646
Cash-Restricted	7,945	7,945
 Total Assets	 \$ 2,443,009	 \$ 2,149,031
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 43,657	\$ 23,233
Salaries Payable	161,093	160,575
Payroll Taxes Payable	11,125	10,630
Fringe Benefits Payable	128,040	152,879
Unearned Revenue	3,317	25,500
 Total Liabilities	 347,232	 372,817
 Fund Equity		
Non-Spendable for Inventory	38,669	34,606
Non-Spendable for Prepaid Expenses	31,623	27,646
Restricted for Unemployment Expense	7,945	7,945
Restricted for Fund Purposes	2,017,540	1,706,018
 Total Fund Equity	 2,095,777	 1,776,214
 Total Liabilities and Fund Equity	 \$ 2,443,009	 \$ 2,149,031

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUE
CAREER TECH MAJOR SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Revenues		
Local Sources		
Property Taxes - Current	\$ 4,021,324	\$ 3,966,733
Interest on Investments	14,862	4,886
Sales	116,945	89,666
Grants and Donations	55,026	32,079
Miscellaneous	22,752	17,681
Total Local Sources	4,230,909	4,111,045
State Sources		
State Aid	1,438,448	1,083,496
Federal Sources		
Carl Perkins	117,226	129,080
Interdistrict Sources		
Out of District Tuition	83,750	82,500
Total Revenues	\$ 5,870,333	\$ 5,406,121

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES
CAREER TECH MAJOR SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Instruction		
Added Needs		
Vocational Education	\$ 3,072,003	\$ 2,758,338
Supporting Services		
Pupil Services		
Guidance Services	<u>168,104</u>	<u>177,223</u>
Instructional Staff		
Improvement of Instruction	100,354	246,221
Other Instructional Staff Services	<u>26,270</u>	<u>22,491</u>
Total Instructional Staff	126,624	268,712
General Administration		
Board of Education	6,108	12,091
School Administrative Services		
School Administration	349,289	410,020
Business Services		
Fiscal Services	64	566
Internal Services	104,613	62,142
Other Business Services	<u>460</u>	<u>1,495</u>
Total Business Services	105,137	64,203
Operations and Maintenance Services	515,232	483,538
Pupil Transportation	11,420	10,381
Central Services		
Planning, Research & Development	3,786	5,463
Information Management Services	228,841	179,579
Other Central Services	<u>5,314</u>	<u>3,800</u>
Total Central	237,941	188,842
Other Support Services		
Pupil Activities	<u>77,889</u>	<u>65,885</u>
Total Support Services	<u>1,597,744</u>	<u>1,680,895</u>
Community Activities		
Other Community Activities	<u>67,552</u>	<u>21,181</u>
Facilities Acquisition		
Building Acquisition and Construction Services	<u>7,322</u>	-
Total Expenditures	<u><u>\$ 4,744,621</u></u>	<u><u>\$ 4,460,414</u></u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET - CAPITAL PROJECTS MAJOR FUND
JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Cash and Investments	\$ 1,919,071	\$ 2,315,614
Accounts Receivable	102,569	-
Due from Other Governmental Units	6,922	-
 Total Assets	 \$ 2,028,562	 \$ 2,315,614
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ -	\$ 201,257
 Fund Equity		
Committed for Career Tech Project	-	1,000,000
Assigned for General Fund	48,938	30,100
Assigned for Special Ed Fund	483,132	443,737
Assigned for Career Tech Fund	710,395	(142,811)
Assigned for NCATS Fund	786,097	783,331
 Total Fund Equity	 2,028,562	 2,114,357
 Total Liabilities and Fund Equity	 \$ 2,028,562	 \$ 2,315,614

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - MAJOR CAPITAL PROJECTS FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Revenues		
Local Sources		
Interest on Investments	\$ 7,572	\$ 9,566
Miscellaneous	-	26,829
Total Local Sources	7,572	36,395
State Sources		
Other State Grants	229,491	-
Total Revenues	237,063	36,395
Expenditures		
Supporting Services		
Facilities Acquisition		
Building Improvement Services	859,982	836,407
Other Facility Acquisition Services	2,162	121,270
Total Expenditures	862,144	957,677
Excess Revenues Over (Under) Expenditures	(625,081)	(921,281)
Other Financing Sources (Uses)		
Transfers In	539,286	340,000
Net Change in Fund Balances	(85,795)	(581,281)
Fund Balance - July 1, 2017	2,114,357	2,695,639
Fund Balance - June 30, 2018	\$ 2,028,562	\$ 2,114,358

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET - NON-MAJOR FOOD SERVICE FUND
JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Cash and Investments	\$ 76	\$ -
Due from Other Governmental Units	3,956	-
Prepaid Expenses	59	-
Total Assets	\$ 4,091	\$ -
 Liabilities and Fund Equity		
Liabilities		
Fringe Benefits Payable	\$ 137	\$ -
Fund Equity		
Restricted for Food Service	3,954	1
Total Liabilities and Fund Equity	\$ 4,091	\$ 1

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - NON-MAJOR FOOD SERVICE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Revenues		
State Sources		
State Aid	\$ 1,181	\$ -
Federal Sources		
Child and Adult Care Food Program	15,330	-
Total Revenues	16,511	-
Expenditures		
Support Services		
Business Services		
Fiscal Services	1,190	-
Central Services		
Personnel Services	1,937	-
Total Support Services	3,127	-
Food Services	19,430	-
Total Expenditures	22,557	-
Excess Revenues Over (Under) Expenditures	(6,046)	-
Other Financing Sources (Uses)		
Transfers In	10,000	-
Net Change in Fund Balances	3,954	-
Fund Balance - July 1, 2017	-	-
Fund Balance - June 30, 2018	\$ 3,954	\$ -

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 COMPARATIVE BALANCE SHEET - NON-MAJOR DEBT RETIREMENT FUND
 JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Cash and Investments	\$ 9	\$ 1
Total Assets	\$ 9	\$ 1
 Liabilities and Fund Equity		
Fund Equity		
Restricted for Debt Service	\$ 9	1
Total Liabilities and Fund Equity	\$ 9	\$ 1

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR DEBT RETIREMENT FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Revenues		
Local Sources		
Interest on Investments	\$ -	\$ 29
Expenditures		
Debt Service		
Principal Retired	130,000	130,000
Interest Expense	24,177	26,775
Dues and Fees	-	14
Total Expenditures	154,177	156,789
Excess Revenues Over (Under) Expenditures	(154,177)	(156,760)
Other Financing Sources (Uses)		
Transfers In	154,185	130,829
Net Change in Fund Balances	8	(25,931)
Fund Balance - July 1, 2017	1	25,932
Fund Balance - June 30, 2018	\$ 9	\$ 1

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF NET POSITION - NEWAYGO COUNTY
ADVANCED TECHNOLOGY SERVICES FUND
JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Current Assets		
Cash and Investments	\$ 1,708,473	\$ 1,388,171
Accounts Receivable	35,297	23,832
Prepaid Expenses	14,916	14,076
Cash-Restricted	8,321	8,321
Total Current Assets	1,767,007	1,434,400
Noncurrent Assets		
Equipment and Furniture	170,304	170,304
Site Improvements	30,451	5,317
Vehicles	51,550	51,550
Accumulated Depreciation	(123,671)	(111,442)
Total Noncurrent Assets	128,634	115,729
Total Assets	1,895,641	1,550,129
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	423,817	296,268
Deferred Outflows of Resources Related to OPEB	61,863	-
Total Deferred Outflows of Resources	485,680	296,268
Liabilities		
Current Liabilities		
Accounts Payable	8,644	28,410
Salaries Payable	598	463
Payroll Taxes Payable	46	36
Fringe Benefits Payable	10,479	19,112
Total Current Liabilities	19,767	48,021
Noncurrent Liabilities		
Accrued Compensated Absences	4,081	3,122
Net Pension Liability	1,901,934	1,815,331
Net OPEB Liability	665,818	-
Total Noncurrent Liabilities	2,571,833	1,818,453
Total Liabilities	2,591,600	1,866,474
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	156,994	61,983
Deferred Inflows of Resources Related to OPEB	46,482	-
Total Deferred Inflows of Resources	203,476	61,983
Net Position		
Invested in Capital Assets, Net of Related Debt	128,634	115,729
Unrestricted Net Position	(542,389)	(197,789)
Total Net Position	\$ (413,755)	\$ (82,060)

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
NEWAYGO COUNTY ADVANCED TECHNOLOGY SERVICES, MAJOR ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Operating Revenues		
Local Sources		
Charges for Services	\$ 2,536,951	\$ 2,279,232
Operating Expenditures		
Adult Education		
Occupational Training	634	1,831
Supporting Services		
General Administration		
Board of Education	5,802	4,826
Business Services		
Fiscal Services	79,880	52,053
Other Business Services	9,209	12,616
Total Business Services	89,089	64,669
Operations and Maintenance Services		
Depreciation	12,229	10,174
Operating Building Services	99,418	98,387
Total Operations and Maintenance	111,647	108,561
Central Services		
Personnel Services	17,990	15,471
Technical Support	1,951,477	1,883,328
Total Central	1,969,467	1,898,799
Total Support Services	2,176,005	2,076,855
Total Operating Expenses	2,176,639	2,078,686
Operating Income (Loss)	360,312	200,546
Non-Operating Revenues (Expenses)		
Interest and Dividends	10,544	2,347
Sale of Capital Assets	-	785
Total Non-Operating Revenues (Expenses)	10,544	3,132
Change in Net Position	370,856	203,678
Net Position - July 1, 2017 (restated)	(784,611)	(285,738)
Net Position - June 30, 2018	\$ (413,755)	\$ (82,060)

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF CASH FLOWS
NEWAYGO COUNTY ADVANCED TECHNOLOGY SERVICES, MAJOR ENTERPRISE FUND
FOR THE YEARS ENED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 2,524,646	\$ 2,272,709
Cash Paid to Employees	(1,116,097)	(1,088,303)
Cash Paid to Suppliers	(1,073,657)	(979,216)
	334,892	205,190
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(25,134)	(35,956)
Cash Flows from Investing Activities		
Interest and Dividends	10,544	2,347
Sale of Fixed Assets	-	785
	10,544	3,132
Net Increase in Cash and Cash Equivalents	320,302	172,366
Cash and Cash Equivalents - July 1, 2017	1,388,171	1,215,805
Cash and Cash Equivalents - June 30, 2018	\$ 1,708,473	\$ 1,388,171
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 360,312	\$ 200,546
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	12,229	10,174
Prior Period Adjustment	(702,551)	-
(Increase) Decrease in Accounts Receivable	(11,465)	(4,947)
(Increase) Decrease in Prepaid Expenses	(840)	(1,454)
(Increase) Decrease in Restricted Cash	-	(122)
(Increase) Decrease in Deferred Outflows	(189,412)	(14,910)
Increase (Decrease) in Accounts Payable	(19,766)	9,226
Increase (Decrease) in Salaries Payable	135	(29,077)
Increase (Decrease) in Other Payables	(8,623)	526
Increase (Decrease) in Accrued Comp. Absences	959	(21,203)
Increase (Decrease) in Net Pension Liability	86,603	48,453
Increase (Decrease) in Net OPEB Liability	665,818	
Increase (Decrease) in Deferred Inflows	141,493	7,978
Net Cash Provided by Operating Activities	\$ 334,892	\$ 205,190

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF NET POSITION - OFFICE SERVICES
INTERNAL SERVICE FUND
JUNE 30, 2018 AND 2017

	2018	2017
Assets		
Current Assets		
Cash and Investments	\$ 343,484	\$ 346,384
Accounts Receivable	12,243	-
Total Current Assets	355,727	346,384
Non-Current Assets		
Equipment and Furniture	118,864	118,864
Accumulated Depreciation	(54,906)	(40,503)
Total Non-Current Assets	63,958	78,361
Total Assets	419,685	424,745
Liabilities		
Current Liabilities		
Current Portion Long-Term Debt	13,796	26,000
Non-Current Liabilities		
Long-Term Debt	-	13,795
Total Liabilities	13,796	39,795
Net Position		
Unrestricted Net Position	405,889	384,950
Total Net Position	\$ 405,889	\$ 384,950

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
OFFICE SERVICES - INTERNAL SERVICE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Operating Revenues		
Local Sources		
Service Fees	\$ 183,355	\$ 180,391
 Operating Expenses		
Support Services - Business		
Fiscal Services	2,214	1,028
Internal Services	55,865	49,850
Other Business Services	24,015	24,075
Other Central Services	65,401	84,036
	147,495	158,989
 Operating Income	35,860	21,402
 Non-Operating Revenues (Expenses)		
Depreciation Expense	(14,403)	(14,295)
Interest and Dividends Earned	722	694
Interest Expense	(1,240)	(2,364)
	(14,921)	(15,965)
 Change in Net Position	20,939	5,437
 Net Position - July 1, 2017	384,950	379,513
 Net Position - June 30, 2018	\$ 405,889	\$ 384,950

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF CASH FLOWS
OFFICE SERVICES - INTERNAL SERVICE FUND
FOR THE YEARS ENDED JUNE 30, 2018 AN 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 171,112	\$ 180,572
Cash Paid to Suppliers	(147,495)	(158,989)
Net Cash Provided by Operating Activities	23,617	21,583
Cash Flows from Financing Activities		
Principal Payments on Long-Term Debt	(25,999)	(24,876)
Interest Expense	(1,240)	(2,364)
Net Cash (Used) by Financing Activities	(27,239)	(27,240)
Cash Flows from Investing Activities		
Interest and Dividends	722	694
Net Decrease in Cash and Cash Equivalents	(2,900)	(4,963)
Cash and Cash Equivalents - July 1, 2017	346,384	351,347
Cash and Cash Equivalents - June 30, 2018	\$ 343,484	\$ 346,384
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 35,860	\$ 21,402
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Accounts Receivable	(12,243)	181
Net Cash Provided by Operating Activities	\$ 23,617	\$ 21,583

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET
STUDENT ACTIVITIES FIDUCIARY FUND - AGENCY FUND
JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Current Assets		
Cash and Investments	\$ 58,696	\$ 49,354
Total Assets	\$ 58,696	\$ 49,354
 Liabilities		
Current Liabilities		
Due to Student Group		
Cosmetology	\$ 7,558	\$ 7,558
Commercial/Graphic Arts	2,879	3,132
Business	5,522	5,374
Robotics	10,700	10,184
FFA	5,604	7,318
PRIDE	12,000	-
Scholarship	14,433	15,788
Total Liabilities	\$ 58,696	\$ 49,354

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT ACTIVITIES FIDUCIARY FUND - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2018</u>
Assets				
Cash	\$ 49,354	\$ 49,056	\$ (39,714)	\$ 58,696
Total Assets	<u>\$ 49,354</u>	<u>\$ 49,056</u>	<u>\$ (39,714)</u>	<u>\$ 58,696</u>
 Liabilities				
Due to Student Group				
Cosmetology	\$ 7,558	\$ -	\$ -	\$ 7,558
Commercial/Graphic Arts	3,132	298	(551)	2,879
Business	5,374	1,510	(1,362)	5,522
Robotics	10,184	606	(90)	10,700
FFA	7,318	13,154	(14,868)	5,604
PRIDE	-	12,000	-	12,000
Scholarship	15,788	21,553	(22,908)	14,433
Total Liabilities	<u>\$ 49,354</u>	<u>\$ 49,121</u>	<u>\$ (39,779)</u>	<u>\$ 58,696</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued or (Deferred) Revenue at 6/30/2018	Current Year Cash Transferred to a Subrecipient
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Agriculture									
Child & Adult Center Food Program	181920-18	10.558	\$ 33,764	\$ -	\$ -	\$ 15,330	\$ 11,381	\$ 3,949	\$ -
Total U.S. Department of Agriculture			\$ 33,764	\$ -	\$ -	\$ 15,330	\$ 11,381	\$ 3,949	\$ -
<u>U.S. Department of Labor</u>									
<u>Workforce Investment Act Cluster</u>									
Passed through Michigan Works! West Central:									
Workforce Investment Act									
Adult 2016/AA283231655A26	17-04	17.258	\$ 24,451	\$ -	\$ -	\$ 24,451	\$ 24,451	\$ -	\$ -
Adult 2017/AA308461755A26	17-04	17.258	50,769	-	-	50,769	50,769	-	-
Youth 2016/AA283231655A26	17-04	17.259	4,099	-	-	4,099	4,099	-	-
Youth 2017/AA308461755A26	17-04	17.259	49,367	-	-	49,367	49,367	-	-
Dislocated Worker Formula Grants 2016/AA267861555A26	17-04	17.278	14,954	-	-	14,954	14,954	-	-
Dislocated Worker Formula Grants 2017/AA3084061755A26	17-04	17.278	32,773	-	-	32,773	1,704	31,069	-
Total Workforce Investment Act Cluster			176,413	-	-	176,413	145,344	31,069	-
Other Federal Awards:									
Passed through Michigan Works! West Central:									
Employment Services									
Wagner Peyser ES7A 16/17/ES294191655A26	17-04	17.207	113,233	30,197	93,358	19,875	50,072	-	-
Wagner Peyser ES7A 17/18/ES310291755A26	17-04	17.207	94,985	-	-	94,985	84,397	10,588	-
Total Employment Services			208,218	30,197	93,358	114,860	134,469	10,588	-
Unemployment Insurance									
RESEA FY17/UI302241760A26	17-04	17.225	32,798	-	-	32,798	32,798	-	-
Total Unemployment Insurance			32,798	-	-	32,798	32,798	-	-
Trade Adjustment Assistance									
TAA Cash Management 2018/TA280571655A26	17-04	17.245	15,872	-	-	15,872	14,308	1,564	-
TAA Cash Management 2017/TA267311555A26	17-04	17.245	24,278	2,159	17,607	6,671	8,830	-	-
FY 2018/TA280571655A26	17-04	17.245	15,259	-	-	15,259	11,910	3,349	-
FY 2017/TA267311555A26	17-04	17.245	25,672	1,650	23,502	2,170	3,820	-	-
Total Trade Act			81,081	3,809	41,109	39,972	38,868	4,913	-
Total noncluster programs passed through Michigan Works! West Central			322,097	34,006	134,467	187,630	206,135	15,501	-
Total U.S. Department of Labor			\$ 498,510	\$ 34,006	\$ 134,467	\$ 364,043	\$ 351,479	\$ 46,570	\$ -

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued or (Deferred) Revenue at 6/30/2018	Current Year Cash Transferred to a Subrecipient
Schedule of Expenditures of Federal Awards (Continued)									
U.S. Department of Education									
Special Education Cluster -									
Passed through the Michigan Department of Education:									
Special Education - Grants to States									
P.L. 94-142 Flow Through (IDEA)									
IDEA Flowthrough 17/18/H027A170110	180450	84.027	\$ 2,079,022	\$ -	\$ -	\$ 1,828,840	\$ 1,301,937	\$ 526,903	\$ 1,036,338
IDEA Flowthrough 16/17/H027A160110	170450	84.027	2,070,108	529,556	1,806,084	264,024	766,201	27,379	-
Total IDEA Flowthrough			4,149,130	529,556	1,806,084	2,092,864	2,068,138	554,282	1,036,338
State Initiated/Department									
EOSD 17/18/H027A170110	180480	84.027	50,000	-	-	50,000	48,399	1,601	-
EOSD 16/17/H027A160110	170480	84.027	50,000	1,701	50,000	-	1,701	-	-
TS 17/18/H027A170110	180490	84.027	50,000	-	-	50,000	49,034	966	-
TS 16/17/H027A160110	170490	84.027	50,000	3,290	50,000	-	3,290	-	-
Total State Initiated/Department			200,000	4,991	100,000	100,000	102,424	2,567	-
Total Special Education - Grants to States			4,349,130	534,547	1,906,084	2,192,864	2,170,562	556,849	1,036,338
Special Education - Preschool Grants									
IDEA Preschool Incentive 17/18/H173A170117	180460	84.173	97,804	-	-	97,804	97,804	-	-
Total IDEA Preschool Incentive			97,804	-	-	97,804	97,804	-	-
Total Special Education Cluster			4,446,934	534,547	1,906,084	2,290,668	2,268,366	556,849	1,036,338
Direct Funding									
Small, Rural School Achievement	S358A 173594	84.358A	27,494	-	-	23,458	23,438	20	-
Total Direct Funding - U.S. Department of Education			27,494	-	-	23,458	23,438	20	-
Other Federal Awards:									
Passed through the Michigan Department of Education:									
Education for Homeless Children & Youth 17/18	182320	84.196	83,157	-	-	24,270	22,957	1,313	-
Education for Homeless Children & Youth 16/17	172320	84.196	63,922	1,686	20,893	15,339	17,025	-	-
Total Education for Homeless Children & Youth			147,079	1,686	20,893	39,609	39,982	1,313	-
Special Education - Grants for Infants and Families									
Infant & Toddler 17/18	181340	84.181	82,742	-	-	81,341	73,533	7,808	-
Infant & Toddler 16/17	171340	84.181	90,116	4,394	85,966	-	4,394	-	-
Total Infant & Toddler			172,858	4,394	85,966	81,341	77,927	7,808	-
Race to the Top - Trusted Advisor									
Race to the Top-Trusted Advisor/A412A130044	144720-1617	84.412A	60,000	-	-	60,000	60,000	-	-
Race to the Top-Trusted Advisor/A412A130044	144740-1718	84.412A	60,000	-	-	22,369	19,236	3,133	-
Total Race to the Top - Trusted Advisor			120,000	-	-	82,369	79,236	3,133	-
Total noncluster programs passed through the Michigan Department of Education			439,937	6,080	106,859	203,319	197,145	12,254	-

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2016	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued or (Deferred) Revenue at 6/30/2018	Current Year Cash Transferred to a Subrecipient
Schedule of Expenditures of Federal Awards (Continued)									
Passed through Calhoun ISD:									
Enhancing Education through Technology (Ed-Tech) State Program Data for Student Success	094260	84.318	8,000	(4,808)	3,192	2,210	-	(2,598)	-
Total noncluster programs passed through Calhoun ISD			8,000	(4,808)	3,192	2,210	-	(2,598)	-
Passed through MOISD:									
Vocational Education - Basic Grants to States	093520-8016	84.048A	117,226	-	-	117,226	117,226	-	-
Total noncluster programs passed through MOISD			117,226	-	-	117,226	117,226	-	-
Total U.S. Department of Education			<u>\$ 5,039,591</u>	<u>\$ 535,819</u>	<u>\$ 2,016,135</u>	<u>\$ 2,636,881</u>	<u>\$ 2,606,175</u>	<u>\$ 566,525</u>	<u>\$ 1,036,338</u>
<u>U.S. Department of Health & Human Services</u>									
Direct Funding -									
Drug Free Communities 16/17	1H79SP020369-01	93.276	125,000	-	-	69,021	48,185	20,836	-
Drug Free Communities 15/16	1H79SP020369-01	93.276	125,000	18,577	84,827	40,173	52,908	5,842	-
Total Drug Free Communities			250,000	18,577	84,827	109,194	101,093	26,678	-
Total Direct Funding - U.S. Department of Health & Human Services			250,000	18,577	84,827	109,194	101,093	26,678	-
Other Federal Awards:									
Passed through Michigan Works! West Central:									
TANF (Work First)									
PATH 2018/1801MITANF	17-04	93.558	121,904	-	-	121,904	121,904	-	-
PATH 2017/1701MITANF	17-04	93.558	124,463	-	91,759	32,704	32,704	-	-
Total noncluster programs passed through Michigan Works! West Central			246,367	-	91,759	154,608	154,608	-	-
Passed through Mid State Health Network:									
Block Grant									
16/17	7040	93.959	68,582	12,451	47,031	19,727	32,178	-	-
15/16	7040	93.959	36,000	-	-	36,000	36,000	-	-
Total Block Grant			104,582	12,451	47,031	55,727	68,178	-	-
Total noncluster programs passed through Mid State Health Network			104,582	12,451	47,031	55,727	68,178	-	-
Passed through Department of Community Health - State of Michigan:									
Medicaid Outreach Program	N/A	93.778	26,122	-	-	26,122	17,710	8,412	-
Total noncluster programs passed through Department of Community Health - State of Michigan			26,122	-	-	26,122	17,710	8,412	-
Total U.S. Department of Health & Human Services			<u>\$ 627,071</u>	<u>\$ 31,028</u>	<u>\$ 223,617</u>	<u>\$ 345,651</u>	<u>\$ 341,589</u>	<u>\$ 35,090</u>	<u>\$ -</u>
Total Federal Awards			<u>\$ 6,198,936</u>	<u>\$ 600,853</u>	<u>\$ 2,374,219</u>	<u>\$ 3,361,905</u>	<u>\$ 3,310,624</u>	<u>\$ 652,134</u>	<u>\$ 1,036,338</u>

The accompanying notes are an integral part of this schedule.

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS
FOR THE YEAR ENDED JUNE 30, 2018

Recipient	Federal CFDA Number	Subrecipient Award	Due to (from) Subrecipient July 1, 2017	(Memo Only) Prior Year Expenditures	Current Year Federal Expenditures	Current Year Cash Transferred	Due to (from) Subrecipient June 30, 2018
Special Education Cluster							
Fremont Public Schools							
Special Education - Grants to States							
180450/1718	84.027	\$ 281,326	\$ -	\$ -	\$ 281,326	\$ 232,090	\$ 49,236
170450/1617	84.027	257,782	25,220	257,782	-	25,220	-
Total Fremont Public Schools		539,108	25,220	257,782	281,326	257,310	49,236
Grant Public Schools							
Special Education - Grants to States							
180450/1718	84.027	243,800	-	-	243,800	197,250	46,550
170450/1617	84.027	233,883	45,830	233,883	-	45,830	-
Total Grant Public Schools		477,683	45,830	233,883	243,800	243,080	46,550
Hesperia Community Schools							
Special Education - Grants to States							
180450/1718	84.027	140,130	-	-	140,130	67,958	72,172
170450/1617	84.027	134,012	23,475	134,012	-	23,475	-
Total Hesperia Community Schools		274,142	23,475	134,012	140,130	91,433	72,172
Newaygo Public Schools							
Special Education - Grants to States							
180450/1718	84.027	223,874	-	-	223,874	176,801	47,073
170450/1617	84.027	216,033	22,278	216,033	-	22,278	-
Total Newaygo Public Schools		439,907	22,278	216,033	223,874	199,079	47,073
White Cloud Public Schools							
Special Education - Grants to States							
180450/1718	84.027	147,208	-	-	147,208	119,050	28,158
170450/1617	84.027	141,591	53,147	-	-	53,147	-
Total White Cloud Public Schools		288,799	53,147	-	147,208	172,197	28,158
Total Special Education Cluster		2,019,639	169,950	841,710	1,036,338	963,099	243,189
Total Subrecipients		<u>\$ 2,019,639</u>	<u>\$ 169,950</u>	<u>\$ 841,710</u>	<u>\$ 1,036,338</u>	<u>\$ 963,099</u>	<u>\$ 243,189</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Newaygo County Regional Educational Service Agency under programs for the federal government for the year ended June 30, 2018. 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 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 and present transactions in the same manner as reflected in the basic financial statements of the Agency. The significant accounting policies used are described in footnote A to the June 30, 2018 basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

Current cash payments per Cash Management System (CMS)	\$	2,476,891
Add items not on CMS Report		
Funds received through Michigan Works! West Central		
U.S. Department of Labor		351,479
U.S. Department of Health & Human Services		154,608
Funds received through U.S. Department of Education		
Small, Rural School Achievement		23,438
Funds received through Mecosta Osceola Intermediate School District		
Carl Perkins		117,226
Funds received through U.S. Department of Health & Human Services		
Drug Free Communities		101,093
Funds received through Mid State Health Network		
Block Grant		68,178
Funds received through Department of Community Health, Michigan		
Medicaid Outreach Program		17,710
Rounding		1
Current year receipts (cash basis)		
per Schedule of Expenditures of Federal Awards	\$	3,310,624

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



**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***

Board of Education
Newaygo County Regional Educational Service Agency (NC RESA)
Fremont, Michigan 49412

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, 2018, 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 24, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.
Fremont, MI

October 24, 2018



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

Board of Education
Newaygo County Regional Educational Service Agency (NC RESA)
Fremont, Michigan 49412

Report on Compliance for Each Major Federal Program

We have audited NC RESA's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NC RESA's major federal programs for the year ended June 30, 2018. NC RESA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, NC RESA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



Report on Internal Control Over Compliance

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

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

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

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

H&S Companies, P.C.

H&S Companies, P.C.
Fremont, MI

October 24, 2018

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

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



October 24, 2018

Board Members
Newaygo County Regional Educational Service Agency
Fremont, MI 49412

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Newaygo County Regional Educational Service Agency for the year ended June 30, 2018, and have issued our report thereon dated October 24, 2018. Professional standards require that we provide you information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Newaygo County Regional Educational Service Agency are described in Note A to the financial statements. During 2017-2018, the Agency implemented GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation on fixed assets is based on the straight-line method of depreciation over the useful lives of the related asset.

Management's estimate of the defined benefit pension plan is based on member's years of credited service and final average compensation.

Management's estimate of the defined benefit OPEB plan is based on member's years of credited service and final average compensation.

Management's estimate of the value of inventory is based on cost using the first in-first out method.

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



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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and 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.

Comments and Recommendations

Credit Card Receipts

During our internal control over disbursements, we noted credit card receipts examined did not include a complete description of the purchase. While some purchases may be self-evident, a descriptive reason for the purchase and the program to be charged provides further documentation to support the charge. We recommend the employee purchasing the item write down a description for the reason and what the purchase was used for to easily ascertain if the expenses are allowable.

Procurement

In December 2013, the U.S. Office of Management and Budget (OMB) issued comprehensive grant reform rules titled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.” With that issuance, there were important updates made to specific areas of Uniform Guidance. Procurement is one of the areas that had significant changes, which became effective for the Agency July 1, 2018.

Some of the general standards over procurement include:

- Every non-federal entity receiving federal awards must have documented procurement procedures that reflect federal law, Uniform Guidance standards, and any state regulations.
- Entities should focus on the most economical solution during the procurement process, and must avoid using federal funds for the acquisition of unnecessary items. Organizations are encouraged to consider the use of shared services and intergovernmental agreements to foster greater economy and efficiency.
- Written conflict-of-interest policies are required. No employee or agent of the entity may participate in the selection, award, or administration of a contract funded by federal grant dollars if he or she has an actual or apparent conflict of interest.
- The organization must document the procurement steps and activities required to be completed. This includes the basis for the type of procurement, contract type, and the basis for the contractor selection and price. The Uniform Guidance outlines five methods of procurement and requires the organization to search for vendors on the System for Award Management (SAM) to ensure the individual or entity has not been suspended or debarred from performing federally funded work. We recommend this list be reviewed annually for large vendors as well as all new vendors paid in whole or part with federal awards.
- Ultimately, the recipient of federal awards must maintain an appropriate level of oversight to ensure that contractors perform in accordance with the terms of their contract.

We noted the Agency has already implemented many of the required changes listed above. We recommend the Agency perform an internal inspection during the fiscal 2018-19 year to ensure compliance with the requirements and the procurement procedures are being performed uniformly for all disbursements.

Restrictions on Use

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

Very truly yours,

H & S Companies, P.C.

H & S Companies, P.C.
Fremont, MI