

**NEWAYGO COUNTY REGIONAL
EDUCATIONAL SERVICE AGENCY**

FREMONT, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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, 2019, 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, 2019, 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.

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, 55-57, and 58-61 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NC RESA's basic financial statements. The combining 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 September 30, 2019 on our consideration of NC RESA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NC RESA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NC RESA's internal control over financial reporting and compliance.

H & S Companies, P.C.

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

September 30, 2019

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

As management of the Newaygo County Regional Educational Service Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2019. 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 \$(6,755,890) to \$(6,776,230).
- General revenues accounted for nearly \$11 million in revenue, or 44.4% of all fiscal year 2019 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for about \$13.7 million or 55.6% of total fiscal year 2019 revenues. Total revenues increased over \$550,000 from fiscal year 2018.
- The Agency had over \$21.8 million in expenses related to governmental activities; of which \$10.9 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 \$10.9 million costs of these programs. Total expenses, including business-type activities, increased over \$1.0 million from fiscal year 2018.
- As one of the major funds for the Agency, the General Fund had over \$5.8 million in revenue which primarily consisted of state aid and property taxes, and over \$6.3 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 decreased by \$36,173.
- Another major fund for the Agency, the Special Education Fund, had over \$10 million in revenue. This revenue primarily consisted of federal grants, state aid, and property taxes. These revenues were spent between expenditures of over \$9.1 million and other financing uses (including transfers) of approximately \$450,000. The Special Education's fund balance increased by \$436,099 from 2018 to 2019.
- The Career Tech Fund, another major fund, had over \$5.7 million in revenue which primarily consisted of state aid and property taxes. Expenditures were nearly \$4.6 million and transfers out were over \$780,000 resulting in an increase in fund balance of \$313,915.
- The Agency's total debt decreased by \$130,647 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, 2019**

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, 2019**

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 - 54 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 55 - 61 of this report.

The comparative statements are presented immediately following the major budgetary comparisons. Individual comparative statements and schedules can be found on pages 62 - 85 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$(6,574,967) as of June 30, 2019 compared to \$(7,169,648) as of June 30, 2018. These amounts are negative due to the implementation of GASB 68 and GASB 75 which require the Agency to report their proportionate share of the pension and other post employment benefits (OPEB) liabilities of the Michigan Public School Employees' Retirement System.

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, 2019**

The following summarizes the Net Position at fiscal years ended June 30, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total
	2019	2018	2019	2018	2019
Assets					
Current Assets	\$ 11,699,919	\$ 9,879,343	\$ 2,474,361	\$1,767,007	\$ 14,174,280
Capital Assets - Net of Accumulated Depreciation	15,903,467	15,327,966	144,923	128,634	16,048,390
Total Assets	27,603,386	25,207,309	2,619,284	1,895,641	30,222,670
Deferred Outflows of Resources					
Related to Pension and OPEB	10,641,403	6,201,042	862,982	485,680	11,504,385
Liabilities					
Current Liabilities	3,328,017	2,631,750	37,686	19,767	3,365,703
Long-Term Liabilities	36,768,568	33,755,975	2,839,619	2,571,833	39,608,187
Total Liabilities	40,096,585	36,387,725	2,877,305	2,591,600	42,973,890
Deferred Inflows of Resources					
Related to Pension and OPEB	4,924,434	2,568,085	403,698	203,476	5,328,132
Net Position					
Net Investment in					
Capital Assets	15,173,467	15,240,745	144,923	128,634	15,318,390
Restricted for Debt Service	9	9	-	-	9
Restricted for School Lunch	5,684	3,954	-	-	5,684
Restricted for Fund Purposes	4,515,950	3,705,042	-	-	4,515,950
Unrestricted	(26,471,340)	(25,705,634)	56,340	(542,389)	(26,415,000)
Total Net Position	\$ (6,776,230)	\$ (6,755,884)	\$ 201,263	\$ (413,755)	\$ (6,574,967)

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

- 1) The retirement of \$13,796 of capital lease principal for equipment.
- 2) The addition of \$339,897 in capital assets through the purchases of equipment and building improvements. In the prior year, \$1,012,225 of capital assets were added.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities		Business-Type Activities		Total
	2019	2018	2019	2018	2019
Revenues:					
Program Revenues:					
Charges for Services	\$1,700,657	\$1,578,249	\$2,836,973	\$2,536,951	\$4,537,630
Operating Grants/Contrib.	9,172,204	10,162,295	-	-	9,172,204
Capital Grants/Contrib.	25,915	229,491	-	-	25,915
General Revenues:					
Property Taxes	8,495,063	8,223,314	-	-	8,495,063
Grants & State Aid	2,102,339	1,956,750	-	-	2,102,339
Investment Income	77,521	34,998	26,418	10,544	103,939
Other	288,837	214,565	-	-	288,837
Total Revenues	21,862,536	22,399,662	2,863,391	2,547,495	24,725,927
Expenses					
Instruction	9,195,192	8,707,486	130	634	9,195,322
Support Services - Student & Staff	6,909,684	6,273,366	-	-	6,909,684
Support Services - Administration	1,527,560	1,637,273	103,739	94,891	1,631,299
Operation & Maintenance of Plant	1,851,004	1,759,230	107,683	99,418	1,958,687
Transportation & Central Community Services	1,237,678	1,162,525	2,021,258	1,969,467	3,258,936
Facilities Acquisition (Non Capitalized Purchase)	65,185	89,015	-	-	65,185
Food Service	79,802	19,452	-	-	79,802
Interest on Long-Term Debt	21,759	25,444	-	-	21,759
Depreciation Expense	-	-	15,560	12,229	15,560
Total Expenses	21,882,876	20,994,908	2,248,370	2,176,639	24,131,246
Change in Net Position	\$ (20,340)	\$1,404,754	\$ 615,021	\$ 370,856	\$ 594,681

Changes in Net Position. The Agency's total revenues for the fiscal year ended June 30, 2019, were \$24,725,927 compared with \$24,947,157 for June 30, 2018. The total cost of all programs and services was \$24,131,246 for 2018-19 and \$23,139,866 for 2017-18. The above table presents a summary of the changes in Net Position for the fiscal years ended June 30, 2019 and 2018.

Governmental and Business-Type Activities. As reported in the Statement of Activities on page 15, the cost of all of our governmental and business-type activities this year was \$24,131,246 (\$23,139,866 for 2018). However, the amount that our taxpayers ultimately financed for these activities through Agency taxes was only \$8,495,063 (\$8,223,314 for 2018) because some of the cost was paid by those who benefited from the programs \$4,537,630 (\$4,115,200 for 2018) and by other governments and organizations who subsidized certain programs with grants and contributions \$9,172,204 (\$10,162,295 for 2018).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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	
	2019	2018	2019	2018
Instruction	\$ 9,195,322	\$ 8,708,120	\$ (320,613)	\$ 488,720
Support Services - Students & Staff	6,909,684	6,273,366	(6,618,464)	(5,915,777)
Support Services - Administration	1,646,859	1,744,393	(1,533,384)	(1,618,508)
Operation & Maintenance of Plant	1,958,687	1,858,648	(1,399,853)	(1,389,408)
Transportation & Central	3,258,936	3,131,992	(311,963)	(545,041)
Community Services	1,074,814	1,340,569	(123,727)	218,452
Facilities Acquisition	65,185	89,015	(39,270)	140,476
Interest on Long-Term Debt	21,759	25,444	(21,759)	(25,444)
Total Expenses	<u>\$24,131,246</u>	<u>\$23,171,547</u>	<u>\$(10,369,033)</u>	<u>\$ (8,646,530)</u>

The cost of all governmental activities this year was \$21,882,876 (\$20,994,908 for 2018).

For governmental activities, federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$10,898,776 (\$11,007,197 for 2018).

Net cost of governmental activities of \$10,984,100 (\$9,024,873 for 2018), was financed by general revenues, which are made up of primarily property taxes of \$8,495,063 (\$8,223,314 for 2018) and state and federal aid of \$2,102,339 (\$1,956,750 for 2018). Investment earnings accounted for \$103,939 (\$45,542 for 2018) 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 \$5,876,690, which is less than the original budget estimate of \$6,943,367 and less than the final amended budget of \$7,251,741. The \$308,374 variance between the original and final budget was largely due to additional grant funding not originally anticipated. Of this variance, \$120,000 was for Family Information Services Hub Fremont Area Community Foundation (FACF) Grant received after the original budget was developed. Also, there was an increase of \$119,004 of Great Start Readiness Program (GSRP) Preschool Grant Funds available in the 2018-19 year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

The \$1,375,051 variance between the final amended budget and the June 30, 2019 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 2019-2020 include \$579,431 for the GSRP State Grant, \$96,268 for the Family Information Services Hub Fremont Area Community Foundation (FACF) Grant, \$74,601 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 actual expenditures of the general fund were \$6,364,528, which is less than the original budget estimate of \$7,650,638 and less than the final amended budget of \$7,833,739. The \$183,101 variance between the original and final budget was also due to additional grants that were not originally anticipated as referenced in the previous paragraph. The \$1,469,211 variance between the final amended budget and the June 30, 2019 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 2019-20.

The General Fund had total revenues of \$5,876,690, total expenditures of \$6,364,528, and \$451,665 of other financing sources (transfers in) over other financing uses (transfers out) resulting in an ending fund balance of \$1,065,683. This is a decrease of \$36,173 from the prior year ending fund balance.

Special Education Fund. The special education fund actual revenues were \$10,048,011. That amount is more than the original budget of \$9,952,890 and less than the final amended budget of \$10,210,370. The \$257,480 variance between the original budget and the final amended budget reflected an increase in Medicaid School Based Services of \$175,000, an increase of \$63,015 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, an increase in Section 56 Millage Equalization funding of \$105,847, and a decrease in Section 51 State Aid for Special Education Categoricals of (\$105,847). The \$162,359 variance between the final amended budget and the June 30, 2019 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 \$201,333. The Agency received funds in excess of budget of \$61,068 for Medicaid School Based Services and Administrative Outreach for funds not anticipated in the final budget received after the year end.

The actual expenditures of the special education fund were \$9,162,327, which is below the original budget of \$9,696,377 and below the final amended budget of \$9,805,431. The \$109,054 variance between the original and final amended budget was mostly due to increasing the use of contracted support services as well as increases in wages and benefits for instructional staff. The \$643,104 variance between the final amended budget and the June 30, 2019 actual results was due to budgeting for the anticipation of fully expending federal grant programs. The Special Education Flowthrough grant had \$202,068 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 by \$384,091 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 \$10,048,011, total expenditures of \$9,162,327, and \$(449,585) of other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$2,246,603. This is an increase of \$436,099 in fund balance from the previous year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Career-Technical Education Fund. The career-technical education fund actual revenues were \$5,785,581 which was more than the original budget estimate of \$5,708,438 and less than the final amended budget of \$5,837,407. The \$128,969 variance between the original budget and the final amended budget reflects a \$184,348 increase anticipated for Section 62 Mileage Equalization funding, a \$(203,503) decrease in the State for Section 61c Equipment and Mechatronic Grants, an increase of \$37,985 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, \$13,874 for the Michigan Department of Agriculture and Rural Development Grant, and \$33,100 for 61a Added Costs Career Tech funds. The \$51,826 variance between the final amended budget and the June 30, 2019 actual results was due to collections of stabilization funds and various program revenues being lower than projected.

The actual expenditures of the career-technical education fund were \$4,683,011, which is less than the original budget of \$5,349,373 and less than the final amended budget of \$5,461,705. The \$112,332 variance between the original budget and the final amended budget was due to an increase of \$244,612 in the estimated cost of wages and benefits including new positions and increased retirement costs. This increase was off-set by a decrease in the estimated cost of supplies and capital purchases of \$(139,468). The \$778,694 variance between the final amended budget and the June 30, 2019 actual results was due to budgeting for potential capital and other supply purchases which were not purchased \$409,343. The budget for various contracted services (such as substitute teachers and utility costs for the buildings) were budgeted \$179,180 higher than actual costs. The balance of the variance was for the difference in anticipated and actual wages and benefits.

The Career Tech Fund had total revenues of \$5,785,581, total expenditures of \$4,683,011, and \$(788,655) other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$2,409,689. This is an increase of \$313,915 in fund balance from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019 the Agency had invested approximately \$30.2 million in capital assets, including school buildings, vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$288,564 from last year, primarily due to equipment purchases and building improvements. Total depreciation expense for the year was \$558,573 (\$563,181 for 2018).

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2019:

	Governmental Activities	Business-Type Activities	Total
Land & Improvements	\$ 791,575	\$ -	\$ 791,575
Buildings & Improvements	14,451,923	-	14,451,923
Furniture & Equipment	576,641	144,923	721,564
Vehicles	83,328	-	83,328
Total	<u>\$15,903,467</u>	<u>\$ 144,923</u>	<u>\$ 16,048,390</u>

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

Debt Administration. At year-end, the Agency had \$786,363 in long-term debt outstanding, of which \$140,000 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, 2019:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Business-Type Activities</u>
Bonds Payable	\$ 730,000	\$ -	\$ 730,000
Accrued Absences	52,093	4,270	56,363
Total	<u>\$ 782,093</u>	<u>\$ 4,270</u>	<u>\$ 786,363</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 2019-20 budget developed by the Agency's administration and elected officials includes estimates based upon the information available in June when it was originally developed and are described below.

Considerations at the time the budget was developed include:

The State Aid Budget was not adopted by the State in June. During preparation of the budget for 2019-20 the Section 81 funds (used for general administration for Intermediate School Districts/Educational Service Agencies) were anticipated to receive a 3.5% increase over the 2018-19 allocation, however the budget which is currently on the Governor's desk includes a 1% increase. With the 1% increase, Section 81 funding is still lower than the 2008-09 fiscal year allocation level. This remains 15% lower than 2008-09 fiscal year. In preparing the budget the Agency is anticipating a reduction in the Special Education (Sec. 56) and no change in Vocational Education (Sec. 62) Millage Equalizations. The State in the past has tried to make up for the varied property values in different districts in Michigan by distributing funds on an "equalized" basis. This was an attempt by the State of provide equitable special education and career-tech education opportunities in property-poor districts to similar levels as land rich areas. The Agency has suffered about \$1.5 million of losses since 2009-10 fiscal year in Sec. 56 and 62 millage equalization funding. There was a small increase in the total allocated to these funds for the 2017-2018 year. The calculation of the Millage Equalization funding sources is based upon a formula which will result the eventual phase out of these funding sources for NC RESA, unless it is funded by the State to the full amount necessary.

The MPSERS Retirement Reform continues to result in complications in estimating retirement, pension, and health contributions. The State Aid Act again tries to address an issue with the growing Unfunded Actuarial Accrued Liability (UAAL) in the MPSERS fund by including payments that would be allocated to the school districts to assist in paying the estimated UAAL costs. The amount included in the 2019-20 budget for the Agency was \$1,161,936 or a 2.4% increase from 2018-19 actual revenues of \$1,134,613. Fiscal year 2018-19 amount was about a 7.5% increase over the amount received in 2017-18 of \$1,055,459. Fiscal year 2017-18 amount was about a 1.86% decrease over the amount received in 2016-17 of \$1,075,471. Fiscal year 2016-17 was about an 11% increase over the amount received in 2015-16 of

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

\$968,094. Fiscal year 2015-16 was about a 34% 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 2019-20 budget reflects a 3.45% reduction from the 2018-19 budgets. This is mostly due to a reduction in the amount estimated for the Drug-Free Communities Grant, which is ending September 30, 2019. The Grant has been re-applied for, but the Agency has not received verification that it has received this award.

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 2019-20 budget reflected only a 1.5% increase from 2018-19 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 8.5% to \$7,341,702 for fiscal year 2019-20. The decrease was largely due to the elimination or significant reductions of several grants received in 2018-19 including grants for Drug-Free Communities, 61b Dual Enrollment and Great Start Readiness Program (GSRP) Preschool Grants. The Special Education Fund budgeted a 3.47% increase in expenditures (including transfers) to \$10,612,870 in fiscal year 2019-20. This increase is mainly due to an increase in the estimated of wages and benefits. The Career Technical Fund budget reflected \$6,484,462 in expenditures (including transfers) for fiscal year 2019-20, a 3.58% increase from the final 2018-19 budget of \$6,260,408. This increase is mostly due to an increase in the estimated wages and benefits.

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

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Investments	\$ 9,434,962	\$ 2,394,019	\$ 11,828,981
Accounts Receivable	43,559	62,948	106,507
Due from Other Governmental Units	1,926,956	-	1,926,956
Inventory	52,253	-	52,253
Prepaid Expenses	191,165	13,051	204,216
Cash-Restricted	50,881	4,343	55,224
Total Current Assets	11,699,919	2,474,361	14,174,280
Noncurrent Assets			
Capital Assets not being Depreciated	791,575	-	791,575
Capital Assets Being Depreciated	15,111,892	144,923	15,256,815
Total Noncurrent Assets	15,903,467	144,923	16,048,390
Total Assets	27,603,386	2,619,284	30,222,670
Deferred Outflows of Resources			
Deferred Outflows of Resources Related to Pensions	9,299,232	752,742	10,051,974
Deferred Outflows of Resources Related to OPEB	1,342,171	110,240	1,452,411
Total Deferred Outflows of Resources	10,641,403	862,982	11,504,385
Liabilities			
Current Liabilities			
Accounts Payable	72,395	28,920	101,315
Salaries Payable	756,458	900	757,358
Accrued Liabilities	702,663	7,866	710,529
Unearned Revenue	1,484,050	-	1,484,050
Due to Other School Districts	172,451	-	172,451
Current Portion of Long-Term Obligations	140,000	-	140,000
Total Current Liabilities	3,328,017	37,686	3,365,703
Noncurrent Liabilities			
Bonds Payable	590,000	-	590,000
Accrued Compensated Absences	52,093	4,270	56,363
Net Pension Liability	28,555,525	2,238,463	30,793,988
Net OPEB Liability	7,570,950	596,886	8,167,836
Total Noncurrent Liabilities	36,768,568	2,839,619	39,608,187
Total Liabilities	40,096,585	2,877,305	42,973,890
Deferred Inflows of Resources			
Deferred Inflows of Resources Related to Pensions	3,228,352	262,439	3,490,791
Deferred Inflows of Resources Related to OPEB	1,696,082	141,259	1,837,341
Total Deferred Inflows of Resources	4,924,434	403,698	5,328,132
Net Position			
Net Investment in Capital Assets	15,173,467	144,923	15,318,390
Restricted for Debt Service	9	-	9
Restricted for Food Service	5,684	-	5,684
Restricted for Fund Purposes	4,515,950	-	4,515,950
Unrestricted	(26,471,340)	56,340	(26,415,000)
Total Net Position	\$ (6,776,230)	\$ 201,263	\$ (6,574,967)

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, 2019

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	\$ 2,355,108	\$ 3,629	\$ 2,629,080	\$ -	\$ 277,601	\$ -	\$ 277,601
Special Instruction	3,636,484	723,509	4,271,005	-	1,358,030	-	1,358,030
Vocational Instruction	3,203,600	327,476	920,010	-	(1,956,114)	-	(1,956,114)
Total Instruction	9,195,192	1,054,614	7,820,095	-	(320,483)	-	(320,483)
Support Services:							
Pupil Services	4,932,750	-	99,698	-	(4,833,052)	-	(4,833,052)
Instructional Staff Services	1,976,934	-	191,522	-	(1,785,412)	-	(1,785,412)
General Administration Services	489,213	-	4,877	-	(484,336)	-	(484,336)
School Administration Services	368,455	-	19,337	-	(349,118)	-	(349,118)
Business Services	669,892	-	62,797	-	(607,095)	-	(607,095)
Operations and Maintenance	1,851,004	558,834	-	-	(1,292,170)	-	(1,292,170)
Pupil Transportation Services	118,518	-	-	-	(118,518)	-	(118,518)
Central Services	1,009,663	-	110,000	-	(899,663)	-	(899,663)
Other Support Services	109,497	-	-	-	(109,497)	-	(109,497)
Total Support Services	11,525,926	558,834	488,231	-	(10,478,861)	-	(10,478,861)
Community Services	995,012	87,209	863,878	-	(43,925)	-	(43,925)
Food Services	79,802	-	-	-	(79,802)	-	(79,802)
Facilities Acquisition	65,185	-	-	25,915	(39,270)	-	(39,270)
Interest on Debt	21,759	-	-	-	(21,759)	-	(21,759)
Total Governmental Activities	21,882,876	1,700,657	9,172,204	25,915	(10,984,100)	-	(10,984,100)
Business-Type Activities							
Newaygo County Advanced Technology Services							
	2,248,370	2,836,973	-	-	-	588,603	588,603
Total Business-Type Activities	2,248,370	2,836,973	-	-	-	588,603	588,603
Total School District	<u>\$ 24,131,246</u>	<u>\$ 4,537,630</u>	<u>\$ 9,172,204</u>	<u>\$ 25,915</u>	\$ (10,984,100)	\$ 588,603	\$ (10,395,497)

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENT WIDE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Net (Expenses) Revenues and Changes in Net Position		
	Government Activities	Business-Type Activities	Total
General Revenues			
Property Taxes			
General Purposes	\$ 187,156	\$ -	\$ 187,156
Special Education	4,153,614	-	4,153,614
Vocational Education	4,154,293	-	4,154,293
State and Federal Aids Not Restricted To Specific Functions:			
General	2,102,339	-	2,102,339
Interest and Investment Earnings	77,521	26,418	103,939
Miscellaneous	288,837	-	288,837
Total General Revenues	<u>10,963,760</u>	<u>26,418</u>	<u>10,990,178</u>
Change in Net Position	(20,340)	615,021	594,681
Net Position - July 1, 2018	<u>(6,755,890)</u>	<u>(413,758)</u>	<u>(7,169,648)</u>
Net Position - June 30, 2019	<u>\$ (6,776,230)</u>	<u>\$ 201,263</u>	<u>\$ (6,574,967)</u>

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash/Investments	\$ 1,801,916	\$ 2,364,527	\$ 2,504,630	\$ 2,412,274	\$ 5,706	\$ 9,089,053
Accounts Receivable	34,169	368	8,886	-	-	43,423
Due from Other Governmental Units	879,215	797,341	224,226	25,915	259	1,926,956
Inventory	7,295	7,114	37,844	-	-	52,253
Prepaid Expenses	95,751	64,595	30,789	-	30	191,165
Cash-Restricted	15,087	24,325	11,469	-	-	50,881
Total Assets	<u>\$ 2,833,576</u>	<u>\$ 3,258,270</u>	<u>\$ 2,817,844</u>	<u>\$ 2,438,189</u>	<u>\$ 5,995</u>	<u>\$ 11,353,874</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 39,852	\$ 23,065	\$ 9,478	\$ -	\$ -	\$ 72,395
Salaries Payable	143,862	440,009	172,587	-	-	756,458
Payroll Taxes Payable	10,524	30,930	12,193	-	-	53,647
Fringe Benefits Payable	166,775	334,316	147,623	-	302	649,016
Unearned Revenue	1,406,880	10,896	66,274	-	-	1,484,050
Due to Other School Districts	-	172,451	-	-	-	172,451
Total Liabilities	<u>1,767,893</u>	<u>1,011,667</u>	<u>408,155</u>	<u>-</u>	<u>302</u>	<u>3,188,017</u>
Fund Balances						
Nonspendable Inventory	7,295	7,114	37,844	-	-	52,253
Nonspendable Prepaid Expenses	95,751	64,595	30,789	-	-	191,135
Restricted for Debt Service	-	-	-	-	9	9
Restricted for Food Service	-	-	-	-	5,684	5,684
Restricted for Fund Purposes	-	2,174,894	2,341,056	-	-	4,515,950
Assigned for General Fund	-	-	-	40,080	-	40,080
Assigned for Special Ed Fund	-	-	-	493,257	-	493,257
Assigned for Career Tech Fund	-	-	-	1,076,202	-	1,076,202
Assigned for NCATS Fund	-	-	-	828,650	-	828,650
Unassigned	962,637	-	-	-	-	962,637
Total Fund Balances	<u>1,065,683</u>	<u>2,246,603</u>	<u>2,409,689</u>	<u>2,438,189</u>	<u>5,693</u>	<u>8,165,857</u>
Total Liabilities and Fund Balances	<u>\$ 2,833,576</u>	<u>\$ 3,258,270</u>	<u>\$ 2,817,844</u>	<u>\$ 2,438,189</u>	<u>\$ 5,995</u>	<u>\$ 11,353,874</u>

See independent auditor's report and accompanying notes to financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Total Governmental Fund Balances	\$	8,165,857
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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		346,045
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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	\$ 28,502,935	
Governmental accumulated depreciation	<u>(12,599,468)</u>	15,903,467

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	9,299,232	
Deferred inflows of resources related to pensions	(3,228,352)	
Deferred outflows of resources related to OPEB	1,342,171	
Deferred inflows of resources related to OPEB	<u>(1,696,082)</u>	5,716,969

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		(52,093)
Bonds payable		(730,000)
Net pension liability		(28,555,525)
Net OPEB liability		<u>(7,570,950)</u>

Total Net Position - Governmental Activities	\$	<u><u>(6,776,230)</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, 2019**

	General	Special Education	Career Tech	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local Sources	\$ 1,699,196	\$ 4,922,317	\$ 4,344,106	\$ 56,196	\$ 45	\$ 11,021,860
State Sources	3,749,794	2,598,972	1,223,748	25,915	1,795	7,600,224
Federal Sources	364,903	2,480,729	122,727	-	79,853	3,048,212
Interdistrict Sources	62,797	45,993	95,000	-	-	203,790
Total Revenues	5,876,690	10,048,011	5,785,581	82,111	81,693	21,874,086
Expenditures						
Instruction	1,853,233	1,691,905	2,889,431	-	-	6,434,569
Support Services:						
Pupil Services	98,843	4,345,356	164,433	-	-	4,608,632
Instructional Staff Services	807,200	741,008	308,159	-	-	1,856,367
General Administration Services	487,956	34,500	9,342	-	-	531,798
School Administration Services	-	-	274,579	-	-	274,579
Business Services	540,513	99,904	64,125	-	967	705,509
Operations & Maintenance	669,899	288,067	528,548	-	-	1,486,514
Pupil Transportation	100,276	6,458	11,140	-	-	117,874
Central Services	486,029	138,905	278,911	-	657	904,502
Other Support Services	-	-	107,909	-	-	107,909
Community Services	934,094	14,867	46,434	-	-	995,395
Food Services	-	-	-	-	78,337	78,337
Facilities Acquisition	11,755	-	-	302,483	-	314,238
Debt Service	-	-	-	-	156,575	156,575
Transfers to Other School Districts	-	1,801,357	-	-	-	1,801,357
Transfers to Other Entities	374,730	-	-	-	-	374,730
Total Expenditures	6,364,528	9,162,327	4,683,011	302,483	236,536	20,748,885
Excess Revenues Over (Under) Expenditures	\$ (487,838)	\$ 885,684	\$ 1,102,570	\$ (220,372)	\$ (154,843)	\$ 1,125,201

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	<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	\$ 638,240	\$ -	\$ -	\$ 630,000	\$ 156,575	\$ 1,424,815
Operating Transfers Out	<u>(186,575)</u>	<u>(449,585)</u>	<u>(788,655)</u>	<u>-</u>	<u>-</u>	<u>(1,424,815)</u>
Total Other Financing Sources (Uses)	<u>451,665</u>	<u>(449,585)</u>	<u>(788,655)</u>	<u>630,000</u>	<u>156,575</u>	<u>-</u>
Net Change in Fund Balances	(36,173)	436,099	313,915	409,628	1,732	1,125,201
Fund Balances - July 1, 2018	<u>1,101,856</u>	<u>1,810,504</u>	<u>2,095,774</u>	<u>2,028,561</u>	<u>3,961</u>	<u>7,040,656</u>
Fund Balances - June 30, 2019	<u><u>\$ 1,065,683</u></u>	<u><u>\$ 2,246,603</u></u>	<u><u>\$ 2,409,689</u></u>	<u><u>\$ 2,438,189</u></u>	<u><u>\$ 5,693</u></u>	<u><u>\$ 8,165,857</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, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 1,125,201

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 (7,297)

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	\$	339,897	
Depreciation expense reported in the statement of activities		(531,604)	
Amount by which capital outlays are greater (less) than depreciation in the current period:			(191,707)

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 gain on sale of fixed assets	(12,956)
(Increase) in compensated absences liability	(3,328)
Increase in deferred outflows of resources related to pensions	3,871,024
(Increase) in deferred inflows of resources related to pensions	(1,240,956)
(Increase) in net pension liability	(3,960,493)
Increase in deferred outflows of resources related to OPEB	569,337
(Increase) in deferred inflows of resources related to OPEB	(1,115,393)
Decrease in net OPEB liability	811,228

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:	135,000
Change in Net Position - Governmental Activities	\$ (20,340)

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
Assets		
Current Assets		
Cash and Investments	\$ 2,394,019	\$ 345,909
Accounts Receivable	62,948	136
Prepaid Expenses	13,051	-
Cash-Restricted	4,343	-
Total Current Assets	2,474,361	346,045
Noncurrent Assets		
Furniture and Equipment	189,135	118,864
Site Improvements	30,450	-
Vehicles	64,569	-
Less Accumulated Depreciation	(139,231)	(66,317)
Total Net Noncurrent Assets	144,923	52,547
Total Assets	2,619,284	398,592
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	752,742	-
Deferred Outflows of Resources Related to OPEB	110,240	-
Total Deferred Outflows of Resources	862,982	-
Liabilities		
Current Liabilities		
Accounts Payable	28,920	-
Salaries Payable	900	-
Accrued Liabilities	7,866	-
Total Current Liabilities	37,686	-
Noncurrent Liabilities		
Accrued Compensated Absences	4,270	-
Net Pension Liability	2,238,463	-
Net OPEB Liability	596,886	-
Total Noncurrent Liabilities	2,839,619	-
Total Liabilities	2,877,305	-
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	262,439	-
Deferred Inflows of Resources Related to OPEB	141,259	-
Total Deferred Inflows of Resources	403,698	-
Net Position		
Net Investment in Capital Assets	144,923	-
Unrestricted	56,340	398,592
Total Net Position	\$ 201,263	\$ 398,592

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
Operating Revenue		
Local Revenues	\$ 2,836,973	\$ 172,774
Operating Expenses		
Instruction	130	-
Support Services		
General Administration	10,904	-
Business Services	92,835	91,585
Operation & Maintenance	107,683	-
Central Services	2,021,258	78,299
Total Support Services	2,232,680	169,884
Total Expenses	2,232,810	169,884
Operating Income (Loss)	604,163	2,890
Non-Operating Revenues (Expenses)		
Depreciation Expense	(15,560)	(11,410)
Interest and Dividends	26,418	1,408
Interest Expense	-	(185)
Total Non-Operating Revenues (Expenses)	10,858	(10,187)
Change in Net Position	615,021	(7,297)
Net Position - July 1, 2018	(413,758)	405,889
Net Position - June 30, 2019	\$ 201,263	\$ 398,592

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities	Governmental Activities
	Newaygo County Advanced Technology Services	Internal Service Funds
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 2,815,165	\$ 184,881
Cash Paid to Employees	(1,217,296)	-
Cash Paid to Suppliers	(906,892)	(169,884)
Net Cash Provided by Operating Activities	690,977	14,997
Cash Flows from Financing Activities		
Principal Payments on Long-Term Debt	-	(13,796)
Interest Expense	-	(185)
Net Cash (Used) by Financing Activities	-	(13,981)
Cash Flows from Investing Activities		
Purchases of Equipment	(31,850)	-
Interest and Dividends	26,419	1,409
Net Cash (Used) Provided by Investing Activities	(5,431)	1,409
Net Increase (Decrease) in Cash and Investments	685,546	2,425
Cash and Cash Equivalents - July 1, 2018	1,708,473	343,484
Cash and Cash Equivalents - June 30, 2019	\$ 2,394,019	\$ 345,909
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 604,163	\$ 2,890
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Accounts Receivable	(27,651)	12,107
(Increase) Decrease in Prepaid Expenses	1,865	-
(Increase) Decrease in Restricted Cash	3,978	-
(Increase) Decrease in Deferred Outflows	(377,302)	-
Increase (Decrease) in Accounts Payable	20,273	-
Increase (Decrease) in Salaries Payables	302	-
Increase (Decrease) in Other Payroll Payables	(2,659)	-
Increase (Decrease) in Accrued Comp. Absences	189	-
Increase (Decrease) in Net Pension Liability	336,529	-
Increase (Decrease) in Net OPEB Liability	(68,932)	-
Increase (Decrease) in Deferred Inflows	200,222	-
Net Cash Provided by Operating Activities	\$ 690,977	\$ 14,997

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF NET POSITION - FIDUCIARY FUND
JUNE 30, 2019**

	<u>Agency Funds</u>
Assets	
Cash	\$ 70,495
Total Assets	\$ 70,495
Liabilities and Net Position	
Liabilities	
Due to Student Groups	\$ 70,495
Total Liabilities	70,495
Net Position	
Unrestricted	-
Total Liabilities and Net Position	\$ 70,495

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Scope of Reporting Entity

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

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 non-fiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Agency. Governmental activities normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, State and County aid, and other items not included among program revenues are reported instead as general revenues.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Separate financial statements are provided for governmental funds 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.

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 or within one year for expenditure-driven grants. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, State and County aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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.

6. Property Taxes

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. 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.

8. 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.

9. 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.

10. 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 or business-type activities column in the government-wide financial statements.

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

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

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

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

11. 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Long-term Obligations (Continued)

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

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

12. 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.

13. Other Post Employment Benefits (OPEB)

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

14. Tax Abatements

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

15. Net Position

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Fund Equity

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

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

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

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

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

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

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, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

17. 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.

18. 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.

19. 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.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. Deferred Outflows/Inflows of Resources (Continued)

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.

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 February, administrative personnel and department heads work with the Superintendent of Schools to establish proposed operating budgets for the fiscal year commencing the following July 1.
- B. In April, the proposed budgets are presented to and approved by the Agency's Board of Education.
- C. In May, the general fund proposed budgets are presented to and voted on by the constituent district boards.
- D. In June, the proposed budgets are presented at a public hearing to obtain taxpayer comments.
- E. 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.
- F. 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.
- G. 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.
- H. 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, 2019.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE C – DEPOSITS AND INVESTMENTS

As of June 30, 2019, the Agency had the following investments:

Investment Type	Fair Value	Maturities	Standard & Poor's Rating
Michigan Liquid Assets Fund *	\$ 1,485,426	N/A	AAAm
Michigan CLASS Pool	4,175,872	N/A	AAAm
Chemical Business Cash Mgmt	<u>524,569</u>	N/A	AAAm
 Total Fair Value	 <u><u>\$ 6,185,867</u></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, 2019, 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, 2019, 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 or 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, 2019**

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, 2019, \$9,200,944 of the Agency's bank balance of \$12,211,944 was exposed to custodial credit risk as follows:

Insured or Collateralized	\$ 3,011,000
Uninsured and Uncollateralized	3,015,077
Uninsured and collateral held by pledging bank's trust department not in Agency's name.	6,185,867
Total Bank Balance	\$ 12,211,944

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

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

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

NOTE D - INVENTORY

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

	General Fund	Special Education Fund	Career Tech Fund	Total
Inventory	\$ 7,295	\$ 7,114	\$ 37,844	\$ 52,253

NOTE E - RECEIVABLES AND UNEARNED REVENUE

Receivables

Receivables, net of allowance for uncollectibles, as of the year ended June 30, 2019 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	\$ 34,169	\$ 879,215	\$ 913,384
Special Education Fund	368	797,341	797,709
Career Tech Fund	8,886	224,226	233,112
Capital Projects Fund	-	25,915	25,915
Non-Major Governmental Funds	-	259	259
NCATS Fund	62,948	-	62,948
Office Service Fund	136	-	136
Total	\$ 106,507	\$ 1,926,956	\$ 2,033,463

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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:

	<u>Unavailable</u>	<u>Unearned</u>
Grant draw downs prior to meeting all eligibility requirements		
General Fund	\$ -	\$ 1,406,880
Special Education	-	10,896
Career Tech	-	66,274
Total	\$ -	\$ 1,484,050

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, 2019.

Transfers

		Transfers From				Total
		General Fund	Debt Retirement Fund	Capital Projects Fund	Food Service Fund	
Transfers To	General Fund	\$ -	\$ 156,575	\$ 30,000	\$ -	\$ 186,575
	Special Education Fund	349,585	-	100,000	-	449,585
	Career Tech Fund	288,655	-	500,000	-	788,655
	Total	\$638,240	\$ 156,575	\$ 630,000	\$ -	\$ 1,424,815

Transfers into the General Fund in the amount of \$638,240 were for the indirect cost charges of the Special Education Fund and Career Tech Fund.

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE G - CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2019 follows:

	Balance 6/30/2018	Additions	Deletions/ Adjustments	Balance 6/30/2019
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	2,782,071	149,276	(78,981)	2,852,366
Buildings	10,391,831	-	211,727	10,603,558
Building Additions	10,450,188	131,587	(215,179)	10,366,596
Equipment and Furniture	3,420,986	59,034	99,184	3,579,204
Vehicles	327,215	-	(17,579)	309,636
Totals at Historical Cost	<u>27,454,646</u>	<u>339,897</u>	<u>(83,183)</u>	<u>27,711,360</u>
Less Accumulated Depreciation for				
Permanently Installed Building Equipment	(66,464)	-	66,464	-
Site Improvements	(2,577,869)	(28,358)	41,965	(2,564,262)
Buildings	(3,361,936)	(168,332)	(92,489)	(3,622,757)
Building Additions	(3,085,195)	(187,620)	89,237	(3,183,578)
Equipment and Furniture	(2,812,412)	(137,620)	(52,531)	(3,002,563)
Vehicles	(222,807)	(21,083)	17,582	(226,308)
Total Accumulated Depreciation	<u>(12,126,683)</u>	<u>(543,013)</u>	<u>70,228</u>	<u>(12,599,468)</u>
Net Capital Assets being depreciated	<u>15,327,963</u>	<u>(203,116)</u>	<u>(12,955)</u>	<u>15,111,892</u>
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$ 16,119,538</u>	<u>\$ (203,116)</u>	<u>\$ (12,955)</u>	<u>\$ 15,903,467</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Site Improvements	\$ 30,451	-	\$ -	\$ 30,451
Vehicles	51,549	13,019	-	64,568
Equipment and Furniture	170,304	18,831	-	189,135
Totals at Historical Cost	<u>252,304</u>	<u>31,850</u>	<u>-</u>	<u>284,154</u>
Less Accumulated Depreciation for				
Site Improvements	(1,270)	(1,034)	-	(2,304)
Vehicles	(10,640)	(7,936)	-	(18,576)
Equipment and Furniture	(111,762)	(6,589)	-	(118,351)
Total Accumulated Depreciation	<u>(123,672)</u>	<u>(15,559)</u>	<u>-</u>	<u>(139,231)</u>
Total Business-Type Activities				
Capital Assets - Net of Depreciation	<u>\$ 128,632</u>	<u>\$ 16,291</u>	<u>\$ -</u>	<u>\$ 144,923</u>

See independent auditor's report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE G - CAPITAL ASSETS (CONTINUED)

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
All Activities				
Governmental	\$28,246,221	\$ 339,897	\$ (83,183)	\$28,502,935
Business-Type	252,304	31,850	-	284,154
Totals at Historical Cost	28,498,525	371,747	(83,183)	28,787,089
Less Accumulated Depreciation for				
Governmental	(12,126,683)	(543,013)	70,228	(12,599,468)
Business-Type	(123,672)	(15,559)	-	(139,231)
Total Accumulated Depreciation	(12,250,355)	(558,572)	70,228	(12,738,699)
All Activities Capital Assets, Net	<u>\$16,248,170</u>	<u>\$ (186,825)</u>	<u>\$ (12,955)</u>	<u>\$16,048,390</u>

Depreciation expense was charged to governmental functions as follows:

Instruction - Vocational Education/Special Education	\$ 184,275
Operation and Maintenance	358,738
Total Depreciation Expense - Governmental Activities	<u>\$ 543,013</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, 2019:

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, 2019, the remaining principal balance was \$730,000.

Compensated Absences - Accumulated unpaid vacation at June 30, 2019 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, 2019, the accumulated liability for unpaid vacation pay was \$56,363. This total was comprised of \$52,093 for governmental funds and \$4,270 for business type funds.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019:

	<u>Compensated Absences</u>	<u>Bonds Payable</u>	<u>Total</u>
Debt Outstanding - July 1	\$ 52,846	\$ 865,000	\$ 917,846
Debt Added During Year	142,060	-	142,060
Debt Retired During Year	<u>(138,543)</u>	<u>(135,000)</u>	<u>(273,543)</u>
Debt Outstanding - June 30	<u>\$ 56,363</u>	<u>\$ 730,000</u>	<u>\$ 786,363</u>
Amounts Due Within One Year	\$ -	\$ 140,000	\$ 140,000

The amount of total long-term liabilities related to business-type activities is \$4,270 of compensated absences.

Debt Service requirements at June 30, 2019 were as follows:

<u>Year Ended June 30,</u>	<u>2014 Vocational Education Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 140,000	\$ 18,376
2021	140,000	15,576
2022	145,000	12,776
2023	150,000	9,150
2024	<u>155,000</u>	<u>4,650</u>
Total	<u>\$ 730,000</u>	<u>\$ 60,528</u>

Business Type Activities

Capital Lease Payable - 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, 2019, the remaining principal balance of the combined lease agreements was \$0.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019:

	<u>Office Services</u>	<u>Capital Leases</u>
Debt Outstanding - July 1	\$ 13,796	
Debt Added During Year	-	
Debt Retired During Year		<u>(13,796)</u>
Debt Outstanding - June 30	<u>\$ -</u>	
Amounts Due Within One Year	\$ -	

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, 2019**

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, 2017 valuation will be amortized over a 21 year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year 2018.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.00 - 4.00%	17.89%
Member Investment Plan	3.00 - 7.00%	17.89%
Pension Plus	3.00 - 6.40%	16.61%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54%

Required contributions to the pension plan from Newaygo County Regional Educational Service Agency were \$2,789,343 for the year ended September 30, 2018.

See independent auditor's report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$30,793,988 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the Agency's proportion was 0.10243559 percent, which was an increase of 0.00018696 percent from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the Agency recognized pension expense of \$4,271,791. At June 30, 2019, 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	\$ 142,890	\$ 223,775
Changes of assumptions	7,131,862	-
Net difference between projected and actual earnings on pension plan investments	-	2,105,526
Changes in proportion and differences between Agency contributions and proportionate share of contributions	431,053	26,877
Agency section 147c revenue related to pension contributions subsequent to the measurement date	-	1,134,613
Agency contributions subsequent to the measurement date	<u>2,346,169</u>	<u>-</u>
Total	<u>\$ 10,051,974</u>	<u>\$ 3,490,791</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, 2020. 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, 2019**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

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

Year Ending June 30	Amount
2019	\$ 2,326,590
2020	1,547,066
2021	1,056,580
2022	419,391

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions:

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
-MIP and Basic Plans (Non-Hybrid):	7.05%
-Pension Plus Plan (Hybrid):	7.00%
-Pension Plus Plan (Hybrid):	6.00%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality: Retirees:	RP-2014 Male and Female Combine Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Combine Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 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, 2018, 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%	5.70%
Private Equity Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
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, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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, 2019**

NOTE J - MPSERS PENSION PLAN (CONTINUED)

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). This discount rate was based on the long term expected rate of return on pension plan investments of 7.05% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.05% (7.00% for the Hybrid Plan), as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.05%/6.00%/5.00%	Current Single Discount Rate Assumption 7.05%/7.00%/6.00%	1% Increase 8.05%/8.00%/7.00%
\$ 40,430,127	\$ 30,793,988	\$ 22,787,922

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

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

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

Payables to the Pension Plan

The amount of payables to a defined benefit pension plan outstanding at the end of the reporting period were \$277,441. The payables were based upon the wages being paid over the period from July 1 through August 31, 2019 which were for services provided prior to June 30, 2019 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, 2019**

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, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on and after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

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, 2017 valuation will be amortized over a 21 year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year 2018.

OPEB Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.00%	6.44%
Pers. Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from Newaygo County Regional Educational Service Agency were \$666,970 for the year ended September 30, 2018.

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

At June 30, 2019, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$8,167,836 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the Agency's proportion was 0.10275362 percent, which was a decrease of 0.00057954 percent from its proportion measured as of October 1, 2017.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

For the year ended June 30, 2019, the Agency recognized OPEB expense of \$408,075. At June 30, 2019, 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	\$ -	\$ 1,520,244
Changes of assumptions	864,978	-
Net difference between projected and actual earnings on OPEB plan investments	-	313,909
Changes in proportion and differences between Agency contributions and proportionate share of contributions	45,637	3,188
Agency section 147c revenue related to OPEB contributions subsequent to the measurement date	-	-
Agency contributions subsequent to the measurement date	541,796	-
Total	\$ 1,452,411	\$ 1,837,341

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, 2020. 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>
2019	\$ (229,978)
2020	(229,978)
2021	(229,978)
2022	(166,224)
2023	(70,567)

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions:

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	7.15%
Projected Salary Increases:	2.75% - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.00% Year 12
Mortality: Retirees:	RP-2014 Male and Female Combine Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Combine Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.6018.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2018 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, 2018, 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%	5.70%
Private Equity Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	3.90%
Absolute Return Pools	15.50%	5.20%
Short Term Investment Pools	2.00%	0.00%
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, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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, 2019**

NOTE K - MPSERS OPEB PLAN (CONTINUED)

Discount Rate

A discount rate of 7.15% 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 7.15%. 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 7.15%, 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 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
\$ 9,805,321	\$ 8,167,836	\$ 6,790,511

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 6,717,955	\$ 8,167,836	\$ 9,831,145

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 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, 2019**

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 \$124,069. The payables were based upon the wages being paid over the period from July 1 through August 31, 2019 which were for services provided prior to June 30, 2019 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 and continued with no further allocation for the 2018-2019 fiscal year.

NOTE M - LEASE AGREEMENTS

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. On September 1, 2019, Lessor and Lessee signed an addendum to this lease which changes the termination date to November 30, 2019.

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. On June 13, 2018, Lessee provided written notice of termination effective August 31, 2020.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019 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.

Lease Agreement – Harvest Fremont

On July 16, 2018, the Newaygo County Regional Educational Service Agency ("Lessor") and the Harvest Fremont ("Lessee") entered into a lease for one office area, four classrooms and the Professional Trades Lab at the Regional Center for AgriScience and Career Advancement building for the term of one year. A lease payment of \$2,700 per month will be payable by the first day of each month. The initial term of this lease begins on July 16, 2018 through July 16, 2019. On January 2, 2019, the Lessor and Lessee entered into an addendum to this agreement for additional time for use of the four classrooms for an increased lease payment of \$2,940.

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

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, the most recent balance sheet presented herein, through September 30, 2019, the date these financial statements were available to be issued. There are no known significant such events or transactions identified.

NOTE Q - ECONOMIC DEPENDENCY

The State of Michigan provides State Aid to the Agency. These revenues represent 35.1% of the total Agency revenues.

NOTE R – TAX ABATEMENTS

The Agency received reduced property tax revenues as a result of Industrial Facilities tax exemptions, Brownfield tax exemptions, and Payments in Lieu of Taxes (PILOT) granted by the City of Fremont. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield exemptions are intended to promote revitalization, redevelopment, and reuse of certain property; and PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds totaled approximately \$47,000 for the year ended June 30, 2019.

NOTE S – UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component unites and postemployment benefit arrangements that are fiduciary activities. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the Agency's 2019-2020 fiscal year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE S – UPCOMING ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of a governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Agency is currently evaluating the impact this standard will have on the financial statements when adopted during the Agency's 2020-2021 fiscal year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local Sources	\$1,645,260	\$2,067,430	\$ 1,699,196	\$ 422,170	\$ (368,234)
State Sources	4,276,003	4,520,908	3,749,794	244,905	(771,114)
Federal Sources	907,444	512,366	364,903	(395,078)	(147,463)
Interdistrict Sources	114,660	151,037	62,797	36,377	(88,240)
Total Revenues	6,943,367	7,251,741	5,876,690	308,374	(1,375,051)
Expenditures					
Instruction	2,155,222	2,333,676	1,853,233	301,989	480,443
Support Services					
Instruction	1,307,730	1,288,590	906,043	19,140	382,547
Administration	1,105,635	1,128,083	1,028,469	(22,448)	99,614
Operations & Maintenance	652,163	725,034	669,899	(72,871)	55,135
Pupil Transportation	111,540	111,029	100,276	511	10,753
Central Services	577,466	562,479	486,029	14,987	76,450
Total Support Services	3,754,534	3,815,215	3,190,716	(60,681)	624,499
Community Services	1,389,442	1,234,413	934,094	155,029	300,319
Payments to Other Entities	351,440	436,010	374,730	84,570	61,280
Facilities Acquisition	-	14,425	11,755	14,425	2,670
Total Expenditures	7,650,638	7,833,739	6,364,528	(183,101)	1,469,211
Excess of Revenues (Under) Over Expenditures	(707,271)	(581,998)	(487,838)	125,273	94,160
Other Financing Sources (Uses)					
Operating Transfers In	727,801	650,245	638,240	(77,556)	(12,005)
Operating Transfers Out	(157,046)	(187,076)	(186,575)	(30,030)	501
Total Other Financing Sources (Uses)	570,755	463,169	451,665	(107,586)	(11,504)
Net Change in Fund Balances	(136,516)	(118,829)	(36,173)	17,687	82,656
Fund Balances - July 1, 2018	1,101,856	1,101,856	1,101,856	-	-
Fund Balances - June 30, 2019	\$ 965,340	\$ 983,027	\$ 1,065,683	\$ 17,687	\$ 82,656

**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, 2019**

	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local Sources	\$ 4,690,723	\$ 4,877,543	\$ 4,922,317	\$ 186,820	\$ 44,774
State Sources	2,566,162	2,599,407	2,598,972	33,245	(435)
Federal Sources	2,617,195	2,675,645	2,480,729	58,450	(194,916)
Interdistrict Sources	78,810	57,775	45,993	(21,035)	(11,782)
Total Revenues	9,952,890	10,210,370	10,048,011	257,480	(162,359)
Expenditures					
Instruction	1,912,716	1,870,404	1,691,905	42,312	178,499
Support Services					
Instruction	5,327,455	5,430,770	5,086,364	(103,315)	344,406
Administration	158,936	172,875	134,404	(13,939)	38,471
Operations & Maintenance	303,403	333,873	288,067	(30,470)	45,806
Pupil Transportation	6,200	10,700	6,458	(4,500)	4,242
Central Services	138,651	160,039	138,905	(21,388)	21,134
Total Support Services	5,934,645	6,108,257	5,654,198	(173,612)	454,059
Community Services	12,678	15,432	14,867	(2,754)	565
Transfers to Other School Dist.	1,836,338	1,811,338	1,801,357	(25,000)	9,981
Total Expenditures	9,696,377	9,805,431	9,162,327	(109,054)	643,104
Excess of Revenue (Under) Over Expenditures	256,513	404,939	885,684	148,426	480,745
Other Financing Sources (Uses)					
Operating Transfers Out	(381,541)	(451,541)	(449,585)	(70,000)	1,956
Net Change in Fund Balances	(125,028)	(46,602)	436,099	78,426	482,701
Fund Balances - July 1, 2018	1,810,504	1,810,504	1,810,504	-	-
Fund Balances - June 30, 2019	\$ 1,685,476	\$ 1,763,902	\$ 2,246,603	\$ 78,426	\$ 482,701

**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, 2019**

	Budget Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local Sources	\$ 4,335,375	\$ 4,383,116	\$ 4,344,106	\$ 47,741	\$ (39,010)
State Sources	1,170,226	1,233,314	1,223,748	63,088	(9,566)
Federal Sources	115,837	122,727	122,727	6,890	-
Interdistrict Sources	87,000	98,250	95,000	11,250	(3,250)
Total Revenues	5,708,438	5,837,407	5,785,581	128,969	(51,826)
Expenditures					
Instruction	3,518,035	3,355,566	2,889,431	162,469	466,135
Support Services					
Instruction	436,603	525,600	472,592	(88,997)	53,008
Administration	389,478	398,870	348,046	(9,392)	50,824
Operations & Maintenance	601,230	654,717	528,548	(53,487)	126,169
Pupil Transportation	17,100	25,050	11,140	(7,950)	13,910
Central Services	245,367	293,985	278,911	(48,618)	15,074
Other Support Services	93,450	137,908	107,909	(44,458)	29,999
Total Support Services	1,783,228	2,036,130	1,747,146	(252,902)	288,984
Community Services	40,610	62,509	46,434	(21,899)	16,075
Facilities Acquisition	7,500	7,500	-	-	7,500
Total Expenditures	5,349,373	5,461,705	4,683,011	(112,332)	778,694
Excess of Revenues Over Expenditures	359,065	375,702	1,102,570	16,637	726,868
Other Financing Sources (Uses)					
Operating Transfers Out	(816,259)	(798,703)	(788,655)	17,556	10,048
Net Change in Fund Balances	(457,194)	(423,001)	313,915	34,193	736,916
Fund Balances - July 1, 2018	2,095,774	2,095,774	2,095,774	-	-
Fund Balances - June 30, 2019	\$ 1,638,580	\$ 1,672,773	\$ 2,409,689	\$ 34,193	\$ 736,916

**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 (%)	-	-	-	-	-	.102444%	.10225%	.10152%	.10100%	0.09390%
B. Agency's proportionate share of net pension liability	-	-	-	-	-	\$ 30,793,988	\$ 26,496,967	\$ 25,328,439	\$ 24,670,237	\$ 20,683,941
C. Agency's covered-employee payroll	-	-	-	-	-	\$ 8,756,126	\$ 8,582,004	\$ 8,595,289	\$ 8,417,858	\$ 7,971,466
D. Agency's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	-	-	-	-	-	351.68507%	308.75035%	294.67815%	293.07024%	259.47474%
E. Plan fiduciary net position as a percentage of total pension liability	-	-	-	-	-	62.36000%	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 2018.

Changes of assumptions: There were no changes of benefit assumptions in FY 2018.

**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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,531,921	\$ 1,497,138	\$ 1,562,616	\$ 1,676,489	\$ 1,824,855
B. Contributions in relation to statutorily required contributions *	-	-	-	-	-	1,531,921	1,497,138	1,562,616	1,676,489	1,824,855
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Agency's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,811,809	\$ 8,677,355	\$ 8,972,498	\$ 8,492,496	\$ 8,385,350
E. Contributions as a percentage of covered-employee payroll						17.38486%	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 2018.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2018.

**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 (%)	-	-	-	-	-	-	-	-	0.10275%	0.10217%
B. Agency's proportionate share of net OPEB liability	-	-	-	-	-	-	-	-	\$ 8,167,836	\$ 9,047,996
C. Agency's covered-employee payroll (OPEB)	-	-	-	-	-	-	-	-	\$ 8,756,126	\$ 8,582,004
D. Agency's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	-	-	-	-	-	-	-	-	93.28139%	105.42987%
E. Plan fiduciary net position as a percentage of total OPEB liability	-	-	-	-	-	-	-	-	42.95000%	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 2018.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2018.

**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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 681,687	\$ 611,284
B. Contributions in relation to statutorily required contributions *	-	-	-	-	-	-	-	-	681,687	611,284
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Agency's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,811,809	\$ 8,677,355
E. Contributions as a percentage of covered-employee payroll									7.73606%	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 2018.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2018.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET - GENERAL FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Cash and Investments	\$ 1,801,916	\$ 1,216,220
Accounts Receivable	34,169	48,897
Due from Other Governmental Units	879,215	775,299
Inventory	7,295	7,337
Prepaid Expenses	95,751	85,254
Other Asset	143	-
Cash-Restricted	15,087	3,660
 Total Assets	 \$ 2,833,576	 \$ 2,136,667
 Liabilities and Fund Balances		
Liabilities		
Accounts Payable	\$ 39,852	\$ 47,193
Salaries Payable	143,862	133,884
Payroll Taxes Payable	10,524	9,719
Fringe Benefits Payable	166,775	133,261
Unearned Revenue	1,406,880	710,754
 Total Liabilities	 1,767,893	 1,034,811
 Fund Balances		
Nonspendable Inventory	7,295	7,337
Nonspendable Prepaid Expenses	95,751	85,254
Restricted for Unemployment Expense	-	3,660
Unassigned	962,637	1,005,605
 Total Fund Balances	 1,065,683	 1,101,856
 Total Liabilities and Fund Balances	 \$ 2,833,576	 \$ 2,136,667

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Revenues		
Local Sources		
Property Taxes - Current	\$ 187,156	\$ 180,922
Interest on Investments	14,209	2,043
Sales	3,629	3,367
Community Service Activities	87,209	105,807
Grants and Donations	660,223	582,380
Rental of Property	558,834	469,240
Miscellaneous	<u>187,936</u>	<u>100,434</u>
Total Local Sources	1,699,196	1,444,193
State Sources		
State Aid	3,749,794	4,001,513
Other State Grants	<u>-</u>	<u>28,872</u>
Total State Sources	3,749,794	4,030,385
Federal Sources		
Drug Free Schools	122,493	109,245
Homeless Students	55,523	39,609
Data for Student Success	341	2,210
Small, Rural School Achievement	32,037	23,458
CARA Local Drug Crisis	45,000	-
Substance Use Disorder Prevention Services	71,878	55,727
Employment Services	-	114,859
Race to the Top-Early Learning Challenge	37,631	82,369
WIA	-	363,819
Trade Act	<u>-</u>	<u>39,972</u>
Total Federal Sources	364,903	831,268
Interdistrict Sources		
Early College/Other Services	43,360	67,844
Professional Development Consortium	<u>19,437</u>	<u>16,192</u>
Total Interdistrict Sources	<u>62,797</u>	<u>84,036</u>
Total Revenues	<u><u>\$ 5,876,690</u></u>	<u><u>\$ 6,389,882</u></u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Expenditures	<u>2019</u>	<u>2018</u>
Instruction		
Basic Programs		
High School	\$ 10,849	\$ 2,645
Pre-School	1,842,384	1,900,865
	<hr/>	<hr/>
Total Instruction	1,853,233	1,903,510
Supporting Services		
Pupil Services		
Truancy Absenteeism Service	15,000	21,504
Guidance Services	11,170	59,091
Health Services	13,225	-
Other Pupil Services	59,448	76,925
	<hr/>	<hr/>
Total Pupil Services	98,843	157,520
Instructional Staff		
Improvement of Instruction	445,354	446,469
Educational Television	-	2,810
Supervision and Direction of Instr. Staff	285,055	388,459
Other Instructional Staff Services	76,791	61,365
	<hr/>	<hr/>
Total Instructional Staff	807,200	899,103
General Administration		
Board of Education	40,655	32,426
Executive Administration	378,714	350,265
Other General Administration	68,587	81,836
	<hr/>	<hr/>
Total General Administration	487,956	464,527
Business Services		
Fiscal Services	470,927	429,483
Internal Services	69,480	91,133
Other Business Services	106	92,988
	<hr/>	<hr/>
Total Business Services	540,513	613,604
Operations and Maintenance Services		
Operating Building Services	669,899	608,601
Pupil Transportation Services	100,276	102,711

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES - GENERAL FUND (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Central Services		
Planning, Research, Development and Evaluation	\$ 31,235	\$ 34,494
Communication Services	38,364	29,093
Personnel Services	185,686	207,272
Information Management Services	169,992	214,573
Pupil Accounting	27,879	28,082
Other Central Services	32,873	28,355
Total Central	486,029	541,869
Total Support Services	3,190,716	3,387,935
Community Services		
Community Activities	283,552	671,185
Custody & Care of Children	210,923	189,898
Other Community Services	439,619	380,765
Total Community Services	934,094	1,241,848
Payments to Other Entities	374,730	290,160
Facilities Acquisition		
Building Acquisition and Construction Services	11,755	-
Total Expenditures	\$ 6,364,528	\$ 6,823,453

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET
SPECIAL EDUCATION MAJOR SPECIAL REVENUE FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Cash and Investments	\$ 2,364,527	\$ 1,709,075
Accounts Receivable	368	159
Due from Other Governmental Units	797,341	1,079,041
Inventory	7,114	7,153
Prepaid Expenses	64,595	67,902
Cash-Restricted	24,325	47,948
	\$ 3,258,270	\$ 2,911,278
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 23,065	\$ 17,019
Salaries Payable	440,009	435,271
Payroll Taxes Payable	30,930	30,049
Fringe Benefits Payable	334,316	360,760
Unearned Revenue	10,896	13,052
Due to Other School Districts	172,451	244,623
	1,011,667	1,100,774
 Fund Balances		
Non-Spendable for Inventory	7,114	7,153
Non-Spendable for Prepaid Expenses	64,595	67,902
Restricted for Unemployment Expense	-	47,948
Restricted for Fund Purposes	2,174,894	1,687,501
	2,246,603	1,810,504
 Total Liabilities and Fund Equity	\$ 3,258,270	\$ 2,911,278

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 COMPARATIVE STATEMENT OF REVENUES
 SPECIAL EDUCATION MAJOR SPECIAL REVENUE FUND
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Revenues		
Local Sources		
Property Taxes - Current	\$ 4,153,614	\$ 4,021,068
Interest on Investments	16,633	9,807
School Based Services	723,509	679,114
Merchandise Sales	7,139	6,421
Grants and Donations	20,337	25,254
Miscellaneous	1,085	433
Total Local Sources	4,922,317	4,742,097
State Sources		
State Aid	2,598,972	2,660,405
Federal Sources		
P.L. 94-142 - IDEA Flow Through	2,162,069	2,092,865
P.L. 94-142 - Preschool Incentive	99,698	97,804
P.L. 94-142 - State Initiative/TS	110,000	100,000
P.L. 94-457 - Infant and Toddler Formula Grant	76,402	81,341
Medicaid Outreach	32,560	26,122
Total Federal Sources	2,480,729	2,398,132
Interdistrict Sources		
Tuition	45,993	84,673
Total Revenues	\$ 10,048,011	\$ 9,885,307

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES
SPECIAL EDUCATION MAJOR SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Instruction		
Added Needs		
Special Education	\$ 1,691,905	\$ 1,689,083
Supporting Services		
Pupil Services		
Guidance Services	622	-
Health Services	676,331	608,570
Psychological Services	481,159	455,427
Speech Therapist	1,800,376	1,719,032
Social Work Services	249,192	248,150
Visual Aid Services	8,917	6,847
Teacher Consultant	1,128,106	1,079,801
Other Pupil Services	653	54,109
Total Pupil Services	<u>4,345,356</u>	<u>4,171,936</u>
Instructional Staff		
Improvement of Instruction	86,717	44,114
Supervision and Direction of Instructional Staff	654,291	694,607
Total Instructional Staff	<u>741,008</u>	<u>738,721</u>
General Administration		
Board of Education	34,500	14,089
Business Services		
Fiscal Services	690	66
Internal Services	71,756	73,602
Other Business Services	27,458	100,037
Total Business Services	<u>99,904</u>	<u>173,705</u>
Operations and Maintenance Services	288,067	280,142
Pupil Transportation Services	6,458	4,064
Central Services		
Planning, Research, Development and Evaluation	79,260	51,866
Information Management Services	59,645	67,553
Total Central	<u>138,905</u>	<u>119,419</u>
Total Support Services	5,654,198	5,502,076
Community Services		
Other Community Services	14,867	10,289
Total Community Services	<u>14,867</u>	<u>10,289</u>
Transfers to Other School Districts	<u>1,801,357</u>	<u>1,788,293</u>
Total Expenditures	<u><u>\$ 9,162,327</u></u>	<u><u>\$ 8,989,741</u></u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET
CAREER TECH MAJOR SPECIAL REVENUE FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Cash and Investments	\$ 2,504,630	\$ 2,028,740
Accounts Receivable	8,886	24,783
Due from Other Governmental Units	224,226	311,249
Inventory	37,844	38,669
Prepaid Expenses	30,789	31,623
Cash-Restricted	11,469	7,945
	Total Assets	Total Assets
	\$ 2,817,844	\$ 2,443,009
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 9,478	\$ 43,660
Salaries Payable	172,587	161,093
Payroll Taxes Payable	12,193	11,125
Fringe Benefits Payable	147,623	128,040
Unearned Revenue	66,274	3,317
	Total Liabilities	Total Liabilities
	408,155	347,235
 Fund Equity		
Non-Spendable for Inventory	37,844	38,669
Non-Spendable for Prepaid Expenses	30,789	31,623
Restricted for Unemployment Expense	-	7,945
Restricted for Fund Purposes	2,341,056	2,017,537
	Total Fund Equity	Total Fund Equity
	2,409,689	2,095,774
 Total Liabilities and Fund Equity	\$ 2,817,844	\$ 2,443,009

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
 COMPARATIVE STATEMENT OF REVENUES
 CAREER TECH MAJOR SPECIAL REVENUE FUND
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Revenues		
Local Sources		
Property Taxes - Current	\$ 4,154,293	\$ 4,021,324
Interest on Investments	29,237	14,862
Sales	107,099	116,945
Grants and Donations	34,042	55,026
Miscellaneous	19,435	22,752
Total Local Sources	4,344,106	4,230,909
State Sources		
State Aid	1,223,748	1,438,448
Federal Sources		
Carl Perkins	122,727	117,226
Interdistrict Sources		
Out of District Tuition	95,000	83,750
Total Revenues	\$ 5,785,581	\$ 5,870,333

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF EXPENDITURES
CAREER TECH MAJOR SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Instruction		
Added Needs		
Vocational Education	\$ 2,889,431	\$ 3,072,003
Supporting Services		
Pupil Services		
Guidance Services	<u>164,433</u>	<u>168,104</u>
Instructional Staff		
Improvement of Instruction	231,422	100,354
Other Instructional Staff Services	<u>76,737</u>	<u>26,270</u>
Total Instructional Staff	308,159	126,624
General Administration		
Board of Education	9,342	6,108
School Administrative Services		
School Administration	274,579	349,353
Business Services		
Internal Services	61,771	104,613
Other Business Services	<u>2,354</u>	<u>460</u>
Total Business Services	64,125	105,073
Operations and Maintenance Services	528,548	515,232
Pupil Transportation	11,140	11,420
Central Services		
Planning, Research & Development	47,812	3,786
Information Management Services	226,099	228,841
Other Central Services	<u>5,000</u>	<u>5,314</u>
Total Central	278,911	237,941
Other Support Services		
Pupil Activities	<u>107,909</u>	<u>77,889</u>
Total Support Services	1,747,146	1,597,744
Community Activities		
Other Community Activities	46,434	67,552
Facilities Acquisition		
Building Acquisition and Construction Services	<u>-</u>	<u>7,322</u>
Total Expenditures	<u>\$ 4,683,011</u>	<u>\$ 4,744,621</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET - CAPITAL PROJECTS MAJOR FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Cash and Investments	\$ 2,412,274	\$ 1,919,071
Accounts Receivable	-	102,569
Due from Other Governmental Units	25,915	6,922
 Total Assets	 \$ 2,438,189	 \$ 2,028,562
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ -	\$ -
 Fund Equity		
Assigned for General Fund	40,080	48,938
Assigned for Special Ed Fund	493,257	483,132
Assigned for Career Tech Fund	1,076,202	710,395
Assigned for NCATS Fund	828,650	786,097
 Total Fund Equity	 2,438,189	 2,028,562
 Total Liabilities and Fund Equity	 \$ 2,438,189	 \$ 2,028,562

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MAJOR CAPITAL PROJECTS FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Revenues		
Local Sources		
Interest on Investments	\$ 16,029	\$ 7,572
Miscellaneous	40,167	-
Total Local Sources	56,196	7,572
State Sources		
Other State Grants	25,915	229,491
Total Revenues	82,111	237,063
Expenditures		
Supporting Services		
Facilities Acquisition		
Architect and Engineer Fees	2,163	-
Building Improvement Services	299,623	859,982
Other Facility Acquisition Services	697	2,162
Total Expenditures	302,483	862,144
Excess Revenues Over (Under) Expenditures	(220,372)	(625,081)
Other Financing Sources (Uses)		
Transfers In	630,000	539,286
Total Other Financing Sources (Uses)	630,000	539,286
Net Change in Fund Balances	409,628	(85,795)
Fund Balance - July 1	2,028,561	2,114,356
Fund Balance - June 30	\$ 2,438,189	\$ 2,028,561

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET - NON-MAJOR FOOD SERVICE FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Cash and Investments	\$ 5,697	\$ 76
Due from Other Governmental Units	259	3,956
Prepaid Expenses	30	59
Total Assets	\$ 5,986	\$ 4,091
 Liabilities and Fund Equity		
Liabilities		
Fringe Benefits Payable	\$ 302	\$ 139
Fund Equity		
Restricted for Food Service	5,684	3,952
Total Liabilities and Fund Equity	\$ 5,986	\$ 4,091

**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, 2019 AND 2018**

	2019	2018
Revenues		
Local Sources		
Interest on Investments	\$ 5	\$ -
Miscellaneous	40	-
	45	-
Total Local Sources	45	-
State Sources		
State Aid	1,795	1,181
Federal Sources		
Child and Adult Care Food Program	79,853	15,330
	81,693	16,511
Total Revenues	81,693	16,511
Expenditures		
Support Services		
Business Services		
Fiscal Services	967	1,190
Central Services		
Personnel Services	657	1,939
	1,624	3,129
Total Support Services	1,624	3,129
Food Services	78,337	19,430
	79,961	22,559
Total Expenditures	79,961	22,559
Excess Revenues Over (Under) Expenditures	1,732	(6,048)
Other Financing Sources (Uses)		
Transfers In	-	10,000
	-	10,000
Net Change in Fund Balances	1,732	3,952
Fund Balance - July 1	3,952	-
Fund Balance - June 30	\$ 5,684	\$ 3,952

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET - NON-MAJOR DEBT RETIREMENT FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Cash and Investments	\$ 9	\$ 9
Total Assets	\$ 9	\$ 9
 Liabilities and Fund Equity		
Fund Equity		
Restricted for Debt Service	\$ 9	9
Total Liabilities and Fund Equity	\$ 9	\$ 9

**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, 2019 AND 2018**

	2019	2018
Revenues		
Local Sources		
Interest on Investments	\$ -	\$ -
 Expenditures		
Debt Service		
Principal Retired	135,000	130,000
Interest Expense	21,575	24,177
Total Expenditures	156,575	154,177
Excess Revenues Over (Under) Expenditures	(156,575)	(154,177)
 Other Financing Sources (Uses)		
Transfers In	156,575	154,185
 Net Change in Fund Balances	-	8
 Fund Balance - July 1	9	1
 Fund Balance - June 30	\$ 9	\$ 9

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF NET POSITION - NEWAYGO COUNTY
ADVANCED TECHNOLOGY SERVICES FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Current Assets		
Cash and Investments	\$ 2,394,019	\$ 1,708,473
Accounts Receivable	62,948	35,297
Prepaid Expenses	13,051	14,916
Cash-Restricted	4,343	8,321
Total Current Assets	2,474,361	1,767,007
Noncurrent Assets		
Equipment and Furniture	189,135	170,304
Site Improvements	30,450	30,451
Vehicles	64,569	51,550
Accumulated Depreciation	(139,231)	(123,671)
Total Noncurrent Assets	144,923	128,634
Total Assets	2,619,284	1,895,641
Deferred Outflows of Resources		
Deferred Outflows of Resources Related to Pensions	752,742	423,817
Deferred Outflows of Resources Related to OPEB	110,240	61,863
Total Deferred Outflows of Resources	862,982	485,680
Liabilities		
Current Liabilities		
Accounts Payable	28,920	8,647
Salaries Payable	900	598
Payroll Taxes Payable	69	46
Fringe Benefits Payable	7,797	10,479
Total Current Liabilities	37,686	19,770
Noncurrent Liabilities		
Accrued Compensated Absences	4,270	4,081
Net Pension Liability	2,238,463	1,901,934
Net OPEB Liability	596,886	665,818
Total Noncurrent Liabilities	2,839,619	2,571,833
Total Liabilities	2,877,305	2,591,603
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	262,439	156,994
Deferred Inflows of Resources Related to OPEB	141,259	46,482
Total Deferred Inflows of Resources	403,698	203,476
Net Position		
Invested in Capital Assets, Net of Related Debt	144,923	128,634
Unrestricted Net Position	56,340	(542,392)
Total Net Position	\$ 201,263	\$ (413,758)

**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, 2019 AND 2018**

	2019	2018
Operating Revenues		
Local Sources		
Charges for Services	\$ 2,836,973	\$ 2,536,951
Operating Expenditures		
Adult Education		
Occupational Training	130	634
Supporting Services		
General Administration		
Board of Education	10,904	5,802
Business Services		
Fiscal Services	83,979	79,880
Other Business Services	8,856	9,209
Total Business Services	92,835	89,089
Operations and Maintenance Services		
Operating Building Services	107,683	99,418
Total Operations and Maintenance	107,683	99,418
Central Services		
Personnel Services	18,855	17,990
Technical Support	2,002,403	1,951,477
Total Central	2,021,258	1,969,467
Total Support Services	2,232,680	2,163,776
Total Operating Expenses	2,232,810	2,164,410
Operating Income (Loss)	604,163	372,541
Non-Operating Revenues (Expenses)		
Depreciation	(15,560)	(12,229)
Interest and Dividends	26,418	10,544
Total Non-Operating Revenues (Expenses)	10,858	(1,685)
Change in Net Position	615,021	370,856
Net Position - July 1	(413,758)	(784,614)
Net Position - June 30	\$ 201,263	\$ (413,758)

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF CASH FLOWS
NEWAYGO COUNTY ADVANCED TECHNOLOGY SERVICES, MAJOR ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 2,815,165	\$ 2,524,646
Cash Paid to Employees	(1,217,296)	(1,116,097)
Cash Paid to Suppliers	(906,892)	(1,073,657)
	690,977	334,892
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(31,850)	(25,134)
Cash Flows from Investing Activities		
Interest and Dividends	26,419	10,544
	26,419	10,544
Net Increase in Cash and Investments	685,546	320,302
Cash and Cash Equivalents - July 1	1,708,473	1,388,171
Cash and Cash Equivalents - June 30	\$ 2,394,019	\$ 1,708,473
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 604,163	\$ 372,541
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Prior Period Adjustment	-	(702,551)
(Increase) Decrease in Accounts Receivable	(27,651)	(11,465)
(Increase) Decrease in Prepaid Expenses	1,865	(840)
(Increase) Decrease in Restricted Cash	3,978	-
(Increase) Decrease in Deferred Outflows	(377,302)	(189,412)
Increase (Decrease) in Accounts Payable	20,273	(19,766)
Increase (Decrease) in Salaries Payable	302	135
Increase (Decrease) in Other Payables	(2,659)	(8,623)
Increase (Decrease) in Accrued Comp. Absences	189	959
Increase (Decrease) in Net Pension Liability	336,529	86,603
Increase (Decrease) in Net OPEB Liability	(68,932)	665,818
Increase (Decrease) in Deferred Inflows	200,222	141,493
Net Cash Provided by Operating Activities	\$ 690,977	\$ 334,892

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF NET POSITION - OFFICE SERVICES
INTERNAL SERVICE FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Current Assets		
Cash and Investments	\$ 345,909	\$ 343,484
Accounts Receivable	136	12,243
Total Current Assets	346,045	355,727
Non-Current Assets		
Equipment and Furniture	118,864	118,864
Accumulated Depreciation	(66,317)	(54,906)
Total Non-Current Assets	52,547	63,958
Total Assets	\$ 398,592	\$ 419,685
Liabilities		
Current Liabilities		
Current Portion Long-Term Debt	\$ -	\$ 13,796
Total Current Liabilities	-	13,796
Net Position		
Unrestricted Net Position	398,592	405,889
Total Net Position	\$ 398,592	\$ 405,889

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - OFFICE SERVICES - INTERNAL SERVICE FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Operating Revenues		
Local Sources		
Service Fees	\$ 172,774	\$ 183,355
Operating Expenses		
Support Services - Business		
Fiscal Services	2,463	2,214
Internal Services	67,639	55,865
Other Business Services	21,483	24,015
Other Central Services	78,299	65,399
Total Operating Expenses	169,884	147,493
Operating Income	2,890	35,862
Non-Operating Revenues (Expenses)		
Depreciation Expense	(11,410)	(14,403)
Interest and Dividends Earned	1,408	723
Interest Expense	(185)	(1,241)
Total Non-Operating Revenues (Expenses)	(10,187)	(14,921)
Change in Net Position	(7,297)	20,941
Net Position - July 1	405,889	384,948
Net Position - June 30	\$ 398,592	\$ 405,889

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE STATEMENT OF CASH FLOWS
OFFICE SERVICES - INTERNAL SERVICE FUND
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 184,881	\$ 171,112
Cash Paid to Suppliers	<u>(169,884)</u>	<u>(147,493)</u>
Net Cash Provided by Operating Activities	14,997	23,619
Cash Flows from Financing Activities		
Principal Payments on Long-Term Debt	(13,796)	(26,001)
Interest Expense	<u>(185)</u>	<u>(1,241)</u>
Net Cash (Used) by Financing Activities	(13,981)	(27,242)
Cash Flows from Investing Activities		
Interest and Dividends	<u>1,409</u>	<u>723</u>
Net Decrease in Cash and Cash Equivalents	2,425	(2,900)
Cash and Cash Equivalents - July 1	<u>343,484</u>	<u>346,384</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 345,909</u></u>	<u><u>\$ 343,484</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$ 2,890	\$ 35,862
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Accounts Receivable	<u>12,107</u>	<u>(12,243)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 14,997</u></u>	<u><u>\$ 23,619</u></u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
COMPARATIVE BALANCE SHEET
STUDENT ACTIVITIES FIDUCIARY FUND - AGENCY FUND
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Current Assets		
Cash and Investments	\$ 70,495	\$ 58,696
Total Assets	\$ 70,495	\$ 58,696
Liabilities		
Current Liabilities		
Due to Student Group		
Cosmetology	\$ 7,558	\$ 7,558
Business	5,874	5,522
Scholarships	22,125	14,433
Commercial/Graphic Arts	2,986	2,879
Robotics	10,677	10,700
FFA	9,275	5,604
PRIDE	12,000	12,000
Total Liabilities	\$ 70,495	\$ 58,696

**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, 2019**

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2019</u>
Assets				
Cash	\$ 58,696	\$ 39,461	\$ (27,662)	\$ 70,495
Total Assets	<u>\$ 58,696</u>	<u>\$ 39,461</u>	<u>\$ (27,662)</u>	<u>\$ 70,495</u>
Liabilities				
Due to Student Group				
Cosmetology	\$ 7,558	\$ -	\$ -	\$ 7,558
Business	5,522	855	(503)	5,874
Scholarships	14,433	15,432	(7,740)	22,125
Commercial/Graphic Arts	2,879	412	(305)	2,986
Robotics	10,700	-	(23)	10,677
FFA	5,604	22,762	(19,091)	9,275
PRIDE	12,000	-	-	12,000
Total Liabilities	<u>\$ 58,696</u>	<u>\$ 39,461</u>	<u>\$ (27,662)</u>	<u>\$ 70,495</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2019	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	10.558	\$ 33,764	\$ 3,949	\$ 15,330	\$ 1,779	\$ 5,728	-	\$ -
Child & Adult Center Food Program	191920	10.558	126,425	-	-	73,114	73,114	-	-
CACFP-Cash-In-Lieu-Of Commodities	192010	10.558	9,776	-	-	4,960	4,960	-	-
Total U.S. Department of Agriculture			\$ 169,965	\$ 3,949	\$ 15,330	\$ 79,853	\$ 83,802	\$ -	\$ -
<u>U.S. Department of Labor</u>									
<u>Workforce Investment Act Cluster</u>									
Passed through Michigan Works! West Central:									
Workforce Investment Act									
Dislocated Worker Formula Grants 2017/AA3084061755A26	17-04	17.278	\$ 32,773	\$ 31,069	\$ 32,773	-	\$ 31,069	-	\$ -
Total Workforce Investment Act Cluster			32,773	31,069	32,773	-	31,069	-	-
Other Federal Awards:									
Passed through Michigan Works! West Central:									
Employment Services									
Wagner Peyser ES7A 17/18/ES310291755A26	17-04	17.207	94,985	10,588	94,985	-	10,588	-	-
Total Employment Services			94,985	10,588	94,985	-	10,588	-	-
Trade Adjustment Assistance									
TAA Cash Management 2018/TA280571655A26	17-04	17.245	15,872	1,564	15,872	-	1,564	-	-
FY 2018/TA280571655A26	17-04	17.245	15,259	3,349	15,259	-	3,349	-	-
Total Trade Act			31,131	4,913	31,131	-	4,913	-	-
Total noncluster programs passed through Michigan Works! West Central			126,116	15,501	126,116	-	15,501	-	-
Total U.S. Department of Labor			\$ 158,889	\$ 46,570	\$ 158,889	\$ -	\$ 46,570	\$ -	\$ -

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2019	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 18/19/H027A180110	190450	84.027	\$ 2,113,220	\$ -	\$ -	\$ 1,911,887	\$ 1,608,445	\$ 303,442	\$ 881,922
IDEA Flowthrough 17/18/H027A170110	180450	84.027	2,079,022	526,903	1,828,840	250,182	777,085	-	243,189
IDEA Flowthrough 16/17/H027A160110	170450	84.027	2,070,108	27,379	264,024	-	27,379	-	-
Total IDEA Flowthrough			6,262,350	554,282	2,092,864	2,162,069	2,412,909	303,442	1,125,111
State Initiated/Department									
EOSD 17/18/H027A170110	180480	84.027	50,000	1,601	50,000	-	1,601	-	-
TS 17/18/H027A170110	180491	84.027	50,000	966	50,000	-	966	-	-
General Supervision 18/19/H027A180110	190493	84.027	110,000	-	-	110,000	110,000	-	-
Total State Initiated/Department			210,000	2,567	100,000	110,000	112,567	-	-
Total Special Education - Grants to States			6,472,350	556,849	2,192,864	2,272,069	2,525,476	303,442	1,125,111
Special Education - Preschool Grants									
IDEA Preschool Incentive 18/19/H173A180117	190460	84.173	99,698	-	-	99,698	99,698	-	-
Total IDEA Preschool Incentive			99,698	-	-	99,698	99,698	-	-
Total Special Education Cluster			6,572,048	556,849	2,192,864	2,371,767	2,625,174	303,442	1,125,111
Direct Funding									
Small, Rural School Achievement	S358A 173594	84.358A	27,494	20	23,458	4,036	4,056	-	-
Small, Rural School Achievement	S358A 173594	84.358A	28,001	-	-	28,001	12,851	15,150	-
Total Direct Funding - U.S. Department of Education			55,495	20	23,458	32,037	16,907	15,150	-
Other Federal Awards:									
Passed through the Michigan Department of Education:									
Education for Homeless Children & Youth 18/19									
Education for Homeless Children & Youth 18/19	192320	84.196	104,078	-	-	40,481	38,690	1,791	-
Education for Homeless Children & Youth 17/18	182320	84.196	83,157	1,313	24,270	15,042	16,355	-	-
Total Education for Homeless Children & Youth			187,235	1,313	24,270	55,523	55,045	1,791	-
Special Education - Grants for Infants and Families									
Infant & Toddler 18/19	191340	84.181	82,545	-	-	76,402	66,737	9,665	-
Infant & Toddler 17/18	181340	84.181	82,742	7,808	81,341	-	7,808	-	-
Total Infant & Toddler			165,287	7,808	81,341	76,402	74,545	9,665	-
Race to the Top - Trusted Advisor									
Race to the Top-Trusted Advisor/A412A130044	144740-1718	84.412A	60,000	3,133	22,369	37,631	40,764	-	-
Total Race to the Top - Trusted Advisor			60,000	3,133	22,369	37,631	40,764	-	-

Program Title/Project Number/ Subrecipient Name	Grant or Project Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Unearned) Revenue July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue 6/30/2019	Current Year Cash Transferred to a Subrecipient
Schedule of Expenditures of Federal Awards (Continued)									
Total noncluster programs passed through the Michigan Department of Education			\$ 412,522	\$ 12,254	\$ 127,980	\$ 169,556	\$ 170,354	\$ 11,456	\$ -
Passed through Calhoun ISD:									
Enhancing Education through Technology (Ed-Tech) State Program									
Data for Student Success	094260	84.318	8,000	(2,598)	2,210	341	-	(2,257)	-
Total noncluster programs passed through Calhoun ISD			8,000	(2,598)	2,210	341	-	(2,257)	-
Passed through MOISD:									
Secondary CTE Perkins Grant									
	183520-18127	84.048A	122,727	-	-	122,727	122,727	-	-
Total noncluster programs passed through MOISD			122,727	-	-	122,727	122,727	-	-
Total U.S. Department of Education			<u>\$ 7,170,792</u>	<u>\$ 566,525</u>	<u>\$ 2,346,512</u>	<u>\$ 2,696,428</u>	<u>\$ 2,935,162</u>	<u>\$ 327,791</u>	<u>\$ 1,125,111</u>
U.S. Department of Health & Human Services									
Direct Funding -									
Drug Free Communities 18/19									
	1H79SP020369-01	93.276	\$ 125,000	\$ -	\$ -	\$ 76,246	\$ 49,676	\$ 26,570	\$ -
Drug Free Communities 17/18									
	1H79SP020369-01	93.276	125,000	20,836	69,021	46,247	67,083	-	-
Drug Free Communities 16/17									
	1H79SP020369-01	93.276	125,000	5,842	40,173	-	5,842	-	-
Total Drug Free Communities			375,000	26,678	109,194	122,493	122,601	26,570	-
CARA Local Drug Crisis 17/18									
	1H79SP080401-01	93.799	50,000	-	-	45,000	12,524	32,476	-
Total Direct Funding - U.S. Department of Health & Human Services			425,000	26,678	109,194	167,493	135,125	59,046	-
Other Federal Awards:									
Passed through Mid State Health Network:									
Block Grant									
18/19									
	7040	93.959	90,000	-	-	71,878	60,733	11,145	-
Total noncluster programs passed through Mid State Health Network			90,000	-	-	71,878	60,733	11,145	-
Passed through Department of Community Health - State of Michigan:									
Medicaid Outreach Program									
	N/A	93.778	13,635	8,412	-	32,560	22,047	18,925	-
Total noncluster programs passed through Department of Community Health - State of Michigan			13,635	8,412	-	32,560	22,047	18,925	-
Total U.S. Department of Health & Human Services			<u>\$ 528,635</u>	<u>\$ 35,090</u>	<u>\$ 109,194</u>	<u>\$ 271,931</u>	<u>\$ 217,905</u>	<u>\$ 89,116</u>	<u>\$ -</u>
Total Federal Awards			<u>\$ 8,028,281</u>	<u>\$ 652,134</u>	<u>\$ 2,629,925</u>	<u>\$ 3,048,212</u>	<u>\$ 3,283,439</u>	<u>\$ 416,907</u>	<u>\$ 1,125,111</u>

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
SCHEDULE OF FEDERAL ASSISTANCE PROVIDED TO SUBRECIPIENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Recipient	Federal CFDA Number	Subrecipient Award	Due to (from) Subrecipient July 1, 2018	(Memo Only) Prior Year Expenditures	Current Year Federal Expenditures	Current Year Cash Transferred	Due to (from) Subrecipient June 30, 2019
Special Education Cluster							
Fremont Public Schools							
Special Education - Grants to States							
190450/1819	84.027	\$ 280,958	\$ -	\$ -	\$ 280,958	\$ 238,737	\$ 42,221
180450/1718	84.027	281,326	49,236	281,326	-	49,236	-
Total Fremont Public Schools		562,284	49,236	281,326	280,958	287,973	42,221
Grant Public Schools							
Special Education - Grants to States							
190450/1819	84.027	255,469	-	-	255,469	195,326	60,143
180450/1718	84.027	243,800	46,550	243,800	-	46,550	-
Total Grant Public Schools		499,269	46,550	243,800	255,469	241,876	60,143
Hesperia Community Schools							
Special Education - Grants to States							
190450/1819	84.027	142,356	-	-	142,356	117,706	24,650
180450/1718	84.027	140,130	72,172	140,130	-	72,172	-
Total Hesperia Community Schools		282,486	72,172	140,130	142,356	189,878	24,650
Newaygo Public Schools							
Special Education - Grants to States							
190450/1819	84.027	226,682	-	-	226,682	181,245	45,437
180450/1718	84.027	223,874	47,073	223,874	-	47,073	-
Total Newaygo Public Schools		450,556	47,073	223,874	226,682	228,318	45,437
White Cloud Public Schools							
Special Education - Grants to States							
190450/1819	84.027	148,908	-	-	148,908	148,908	-
180450/1718	84.027	147,208	28,158	147,208	-	28,158	-
Total White Cloud Public Schools		296,116	28,158	147,208	148,908	177,066	-
Total Special Education Cluster		2,090,711	243,189	1,036,338	1,054,373	1,125,111	172,451
Total Subrecipients		<u>\$ 2,090,711</u>	<u>\$ 243,189</u>	<u>\$ 1,036,338</u>	<u>\$ 1,054,373</u>	<u>\$ 1,125,111</u>	<u>\$ 172,451</u>

See independent auditor's report and accompanying notes to the financial statements.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Newaygo County Regional Educational Service Agency (NC RESA) under programs for the federal government for the year ended June 30, 2019. 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, 2019 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)	\$	2,882,197
Remove items on CMS Report, not Federal		
Funds received through Michigan Department of Education		
Early on - Pilot Services		(2,869)
Add items not on CMS Report		
Funds received through Michigan Works! West Central		
U.S. Department of Labor		46,570
Funds received through U.S. Department of Education		
Small, Rural School Achievement		16,907
Funds received through Mecosta Osceola Intermediate School District		
Carl Perkins		122,727
Funds received through U.S. Department of Health & Human Services		
Drug Free Communities		122,601
CARA		12,524
Funds received through Mid State Health Network		
Block Grant		60,733
Funds received through Department of Community Health, Michigan		
Medicaid Outreach Program		22,047
Rounding		2
Current year receipts (cash basis)		
per Schedule of Expenditures of Federal Awards	\$	3,283,439

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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

Revenues from Governmental Funds - Statement of Revenues, Expenditures and Change in Fund Balances	\$ 3,048,212
Federal Expenditures per Schedule of Expenditures of Federal Awards	<u>3,048,212</u>
Difference	<u><u>\$ -</u></u>



**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, 2019, and the related notes to the financial statements, which collectively comprise NC RESA's basic financial statements, and have issued our report thereon dated September 30, 2019.

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

September 30, 2019



**Independent Auditor's Report on Compliance for Each Major Program
And Report 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, 2019. NC RESA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, NC RESA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



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

September 30, 2019

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

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



September 30, 2019

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 Newaygo County Regional Educational Service Agency (NC RESA) for the year ended June 30, 2019, and have issued our report thereon dated September 30, 2019. 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, 2019. 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 Newaygo County Regional Educational Service Agency are described in Note A to the financial statements. We noted no transactions entered into by NC RESA 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 September 30, 2019.

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 NC RESA'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 NC RESA'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

Condition of Accounting Records and Accounting Control

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

Restrictions on Use

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

Very truly yours,

H & S Companies, P.C.

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