

**NEWAYGO COUNTY REGIONAL  
EDUCATIONAL SERVICE AGENCY**

**FREMONT, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

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

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, 2020, and the related notes to the financial statements, which collectively comprise NC RESA's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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



## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of NC RESA as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages 4-13 and 58-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate 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 nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 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

October 14, 2020

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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 \$(6,776,230) to \$(6,923,433).
- General revenues accounted for about \$11.3 million in revenues, or 44.6% of all fiscal year 2020 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for about \$14.2 million or 55.4% of total fiscal year 2020 revenues. Total revenues increased over \$903,000 from fiscal year 2019.
- The Agency had over \$22.5 million in expenses related to governmental activities; of which \$11 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 \$11.4 million costs of these programs. Total expenses, including business-type activities, increased by about \$985,447 from fiscal year 2019.
- As one of the major funds for the Agency, the General Fund had over \$5.9 million in revenue which primarily consisted of state aid and property taxes, and over \$6.3 million in expenditures. After considering the Net Other Financing Sources and Uses (including operating transfers in and out), the General Fund's fund balance increased by \$100,972.
- Another major fund for the Agency, the Special Education Fund, had over \$10.3 million in revenue. This revenue primarily consisted of federal grants, state aid, and property taxes. These revenues were spent between expenditures of over \$9.0 million and other financing uses (including transfers) of approximately \$900,000. The Special Education's fund balance increased by \$428,194 from 2019 to 2020.
- The Career Tech Fund, another major fund, had over \$5.9 million in revenue which primarily consisted of state aid and property taxes. Expenditures were over \$4.6 million and transfers out were over \$1.0 million, resulting in an increase in fund balance of \$253,187.
- The Agency's total debt increased by approximately \$2.7 million during the current fiscal year. The majority of this increase is related to the net pension liability.

**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, 2020**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements can be found on pages 14-16 of this report.

**FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 21, respectively.

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**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 25 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 26-57 of this report.

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, liabilities exceeded assets by \$(6,062,570) as of June 30, 2020 compared to \$(6,574,967) as of June 30, 2019. These amounts are negative due to the implementation of GASB 68 and GASB 75 which require the Agency to report their proportionate share of the pension and OPEB liabilities of the Michigan Public School Employees' Retirement System.

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), 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, 2020**

The following summarizes the Net Position at fiscal years ended June 30, 2020 and 2019:

|   | Governmental<br>Activities |                | Business-Type<br>Activities |              | Total          |
|---|----------------------------|----------------|-----------------------------|--------------|----------------|
|   | 2020                       | 2019           | 2020                        | 2019         | 2020           |
| <b>Assets</b>                                       |                            |                |                             |              |                |
| Current Assets                                      | \$ 14,619,134              | \$ 11,699,919  | \$ 3,241,387                | \$ 2,474,361 | \$ 17,860,521  |
| Capital Assets - Net of<br>Accumulated Depreciation | 15,658,227                 | 15,903,467     | 263,696                     | 144,923      | 15,921,923     |
| Total Assets  | 30,277,361                 | 27,603,386     | 3,505,083                   | 2,619,284    | 33,782,444     |
| <b>Deferred Outflows of Resources</b>               |                            |                |                             |              |                |
| Related to Pension and OPEB                         | 10,555,209                 | 10,641,403     | 855,199                     | 862,982      | 11,410,408     |
| <b>Liabilities</b>                                  |                            |                |                             |              |                |
| Current Liabilities                                 | 4,231,678                  | 3,328,017      | 73,124                      | 37,686       | 4,304,802      |
| Long-Term Liabilities                               | 38,402,402                 | 36,768,568     | 3,004,767                   | 2,839,619    | 41,407,169     |
| Total Liabilities                                   | 42,634,080                 | 40,096,585     | 3,077,891                   | 2,877,305    | 45,711,971     |
| <b>Deferred Inflows of Resources</b>                |                            |                |                             |              |                |
| Related to Pension and OPEB                         | 5,121,923                  | 4,924,434      | 421,528                     | 403,698      | 5,543,451      |
| <b>Net Position</b>                                 |                            |                |                             |              |                |
| Net Investment in                                   |                            |                |                             |              |                |
| Capital Assets                                      | 14,897,486                 | 15,173,467     | 263,696                     | 144,923      | 15,161,182     |
| Restricted for Debt Service                         | 22                         | 9              | -                           | -            | 22             |
| Restricted for School Lunch                         | 4,399                      | 5,684          | -                           | -            | 4,399          |
| Restricted for Fund Purposes                        | 5,198,492                  | 4,515,950      | -                           | -            | 5,198,492      |
| Unrestricted  | (27,023,832)               | (26,471,340)   | 597,167                     | 56,340       | (26,426,665)   |
| Total Net Position                                  | \$ (6,923,433)             | \$ (6,776,230) | \$ 860,863                  | \$ 201,263   | \$ (6,062,570) |

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

- 1) The addition of capital lease principal of \$170,741 for office equipment.
- 2) The addition of \$363,007 in capital assets through the purchases of equipment and building improvements. In the prior year, \$339,897 of capital assets were added.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | Governmental<br>Activities |                    | Business-Type<br>Activities |                   | Total             |
|--|----------------------------|--------------------|-----------------------------|-------------------|-------------------|
|  | 2020                       | 2019               | 2020                        | 2019              | 2020              |
| <b>Revenues:</b>                                     |                            |                    |                             |                   |                   |
| Program Revenues:                                    |                            |                    |                             |                   |                   |
| Charges for Services                                 | \$1,674,591                | \$1,700,657        | \$3,171,459                 | \$2,836,973       | \$4,846,050       |
| Operating Grants/Contrib.                            | 9,356,538                  | 9,172,204          | -                           | -                 | 9,356,538         |
| Capital Grants/Contrib.                              | -                          | 25,915             | -                           | -                 | -                 |
| General Revenues:                                    |                            |                    |                             |                   |                   |
| Property Taxes                                       | 9,007,560                  | 8,495,063          | -                           | -                 | 9,007,560         |
| Grants & State Aid                                   | 2,000,186                  | 2,102,339          | -                           | -                 | 2,000,186         |
| Investment Income                                    | 91,910                     | 77,521             | 33,552                      | 26,418            | 125,462           |
| Other  | 293,294                    | 288,837            | -                           | -                 | 293,294           |
| <b>Total Revenues</b>                                | <b>22,424,079</b>          | <b>21,862,536</b>  | <b>3,205,011</b>            | <b>2,863,391</b>  | <b>25,629,090</b> |
| <b>Expenses</b>                                      |                            |                    |                             |                   |                   |
| Instruction  | 9,416,382                  | 9,195,192          | -                           | 130               | 9,416,382         |
| Support Services -<br>Student & Staff                | 7,493,351                  | 6,909,684          | -                           | -                 | 7,493,351         |
| Support Services -<br>Administration                 | 1,890,279                  | 1,527,560          | 81,072                      | 103,739           | 1,971,351         |
| Operation & Maintenance<br>of Plant                  | 1,547,856                  | 1,851,004          | 106,869                     | 107,683           | 1,654,725         |
| Transportation & Central<br>Community Services       | 1,108,145                  | 1,237,678          | 2,324,141                   | 2,021,258         | 3,432,286         |
| Facilities Acquisition<br>(Non Capitalized Purchase) | 950,758                    | 995,012            | -                           | -                 | 950,758           |
| Food Service   | 5,218                      | 65,185             | -                           | -                 | 5,218             |
| Interest on Long-Term Debt                           | 83,482                     | 79,802             | -                           | -                 | 83,482            |
| Depreciation Expense                                 | 22,325                     | 21,759             | -                           | -                 | 22,325            |
| Loss on Disposition of<br>Capital Assets             | -                          | -                  | 33,329                      | 15,560            | 33,329            |
| <b>Total Expenses</b>                                | <b>22,571,282</b>          | <b>21,882,876</b>  | <b>2,545,411</b>            | <b>2,248,370</b>  | <b>25,116,693</b> |
| <b>Change in Net Position</b>                        | <b>\$ (147,203)</b>        | <b>\$ (20,340)</b> | <b>\$ 659,600</b>           | <b>\$ 615,021</b> | <b>\$ 512,397</b> |

**Changes in Net Position.** The Agency's total revenues for the fiscal year ended June 30, 2020, were \$25,629,090 compared with \$24,725,927 for June 30, 2019. The total cost of all programs and services was \$25,116,693 for 2019-2020 and \$24,131,246 for 2018-2019. The above table presents a summary of the changes in Net Position for the fiscal years ended June 30, 2020 and 2019.

**Governmental and Business-Type Activities.** As reported in the Statement of Activities on pages 15-16, the cost of all of our governmental and business-type activities this year was \$25,063,207 (\$24,131,246 for 2019). However, the amount that our taxpayers ultimately financed for these activities through Agency taxes was only \$9,007,560 (\$8,495,063 for 2019) because some of the cost was paid by those who benefited from the programs \$4,846,050 (\$4,537,630 for 2019) and by other governments and organizations who subsidized certain programs with grants and contributions \$9,356,538 (\$9,172,204 for 2019).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

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

|                                     | Total<br>Expenses   |                     | Net (Expenses)<br>Revenues |                        |
|-------------------------------------|---------------------|---------------------|----------------------------|------------------------|
|                                     | 2020                | 2019                | 2020                       | 2019                   |
| Instruction                         | \$ 9,416,382        | \$ 9,195,322        | \$ (521,737)               | \$ (320,613)           |
| Support Services - Students & Staff | 7,493,351           | 6,909,684           | (6,924,264)                | (6,618,464)            |
| Support Services - Administration   | 2,004,680           | 1,646,859           | (1,918,343)                | (1,533,384)            |
| Operation & Maintenance of Plant    | 1,654,725           | 1,958,687           | (1,112,854)                | (1,399,853)            |
| Transportation & Central            | 3,432,286           | 3,258,936           | (260,827)                  | (311,963)              |
| Community Services                  | 1,034,240           | 1,074,814           | (57,173)                   | (123,727)              |
| Facilities Acquisition              | 5,218               | 65,185              | (5,218)                    | (39,270)               |
| Interest on Long-Term Debt          | 22,325              | 21,759              | (22,325)                   | (21,759)               |
| <b>Total Expenses</b>               | <b>\$25,063,207</b> | <b>\$24,131,246</b> | <b>\$(10,822,741)</b>      | <b>\$ (10,369,033)</b> |

The cost of all governmental activities this year was \$22,517,796 (\$21,882,876 for 2019).

For governmental activities, federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$11,031,129 (\$10,898,776 for 2019).

Net cost of governmental activities of \$11,486,667 (\$10,984,100 for 2019), was financed by general revenues, which are made up of primarily property taxes of \$9,007,560 (\$8,495,063 for 2019) and state and federal aid of \$2,000,186 (\$2,102,339 for 2019). Investment earnings accounted for \$125,462 (\$103,939 for 2019) 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 \$5,953,685, which is less than the original budget estimate of \$6,617,269 and less than the final amended budget of \$7,541,519. The \$924,250 variance between the original and final budget was largely due to additional grant funding not originally anticipated. Grant funding not originally anticipated and part of this variance include \$265,000 for new grants received for Mental Health services including professional development, \$125,000 for a Drug Free Communities Grant, \$68,670 for new Coronavirus Aid, Relief, and Economic Security (CARES) Act funds for providing Disaster Relief Child Care during the pandemic, \$30,000 for a new Trusted Advisors Grant, and \$19,827 for grant funds received from the County of Newaygo for Medical Marihuana Operation and Oversight.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

Also, there was an increase of \$65,000 of Fremont Area Community Foundation (FACF) WE CAN College Access Grant Funds available in the 2019-2020 year. The \$1,587,834 variance between the final amended budget and the June 30, 2020 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 2020-2021 include \$723,674 for the GSRP State Grant, \$498,937 for the Mental Health State Grant, and \$225,000 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 \$6,370,649, which is less than the original budget estimate of \$7,167,327 and less than the final amended budget of \$8,150,267. The \$983,415 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 \$1,779,618 variance between the final amended budget and the June 30, 2020 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 2020-2021.

The General Fund had total revenues of \$5,953,685, total expenditures of \$6,370,649, and \$517,936 of other financing sources (transfers in) over other financing uses (transfers out) resulting in an ending fund balance of \$1,166,655. This is an increase of \$100,972 from the prior year ending fund balance.

**Special Education Fund.** The special education fund actual revenues were \$10,336,600. That amount is more than the original budget of \$10,301,915 and less than the final amended budget of \$10,355,574. The \$53,659 variance between the original budget and the final amended budget reflected an increase in Medicaid School Based and Outreach Services of \$140,000, an increase of \$121,039 State Aid Section 51f for additional Cost Reimbursement, an increase of \$117,077 for Property Taxes, a decrease for Mental Health Budgets moved to General Fund (\$210,000), a decrease in Renaissance Zone funding from State Aid of (\$41,086), and a decrease of (\$37,045) from Local School Districts no longer participating in a Special Education Program. The \$18,974 variance between the final amended budget and the June 30, 2020 actual results was partially due to anticipated State Aid reductions of \$216,011 for Section 51a2 the per pupil allocation and Section 56 for the Special Education Millage Equalization formula, partially due to receiving more property taxes than anticipated in the budget by \$73,685, and partially 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 \$295,052.

The actual expenditures of the special education fund were \$9,003,100, which is below the original budget of \$10,161,329 and below the final amended budget of \$9,901,732. The \$259,597 variance between the original and final amended budget was mostly due to the \$210,000 State Mental Health Grant included in the original budget but moved to the General Fund budget. The \$898,632 variance between the final amended budget and the June 30, 2020 actual results was due to budgeting for the anticipation of fully expending federal grant programs. The Special Education Flowthrough grant had \$295,051 more budgeted expenditures than actual expenditures which will carry over to the next fiscal year. The 2019-2020 budget also reflected higher anticipated costs than actual expenditures for wages and related benefits by \$305,564 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 \$185,000 for contracted services, including substitutes, not used during the pandemic shut-down and \$90,000 for supplies and capital outlay which were not fully spent.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

The special education fund had total revenues of \$10,336,600, total expenditures of \$9,003,100, and (\$905,306) of other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$2,674,797. This is an increase of \$428,194 in fund balance from the previous year.

**Career-Technical Education Fund.** The career-technical education fund actual revenues were \$5,914,819 which was more than the original budget estimate of \$5,609,417 and more than the final amended budget of \$5,829,959. The \$220,542 variance between the original budget and the final amended budget reflects a \$114,486 increase in anticipated Property Taxes, \$148,672 increase anticipated for Section 62 Millage Equalization funding, and a (\$41,086) decrease in the State for Section 26a Renaissance Zone funding. The \$84,860 variance between the final amended budget and the June 30, 2020 actual results was due to \$76,753 more property taxes collected than budgeted, \$62,308 more Section 62 Millage Equalization than budgeted, and \$56,117 various program revenues being lower than projected.

The actual expenditures of the career-technical education fund were \$4,615,114, which is less than the original budget of \$5,685,758 and less than the final amended budget of \$5,489,494. The \$196,264 variance between the original budget and the final amended budget was due to a decrease of \$187,574 in the estimated cost of wages and benefits for positions in original budget, but not filled or replaced. The \$874,380 variance between the final amended budget and the June 30, 2020 actual results was due to budgeting for potential capital and other supply purchases which were not purchased \$420,628. The budget for various contracted services (such as substitute teachers and utility costs for the buildings) were budgeted \$226,909 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 \$5,914,819, total expenditures of \$4,615,114, and (\$1,046,518) other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$2,662,876. This is an increase of \$253,187 in fund balance from the previous year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2020 the Agency had invested approximately \$28.8 million in capital assets, including school buildings, vehicles, computers, and other equipment. This amount represents a net decrease prior to depreciation of (\$35,054) from last year, primarily due to equipment purchases and building improvements offset against equipment disposals. Total depreciation expense for the year was \$543,584 (\$558,573 for 2019).

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2020:

|                          | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |
|--------------------------|------------------------------------|-------------------------------------|----------------------|
| Land & Improvements      | \$ 781,575                         | \$ -                                | \$ 781,575           |
| Buildings & Improvements | 14,132,438                         | 77,885                              | 14,210,323           |
| Furniture & Equipment    | 674,106                            | 185,811                             | 859,917              |
| Vehicles                 | 70,108                             | -                                   | 70,108               |
| Total                    | <u>\$15,658,227</u>                | <u>\$ 263,696</u>                   | <u>\$ 15,921,923</u> |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

Additional information on the Agency's capital assets can be found in Note G on page 38 of this report.

**Debt Administration.** At year-end, the Agency had \$865,592 in long-term debt outstanding, of which \$174,235 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, 2020:

|                        | Governmental<br>Activities | Business-Type<br>Activities | Business-Type<br>Activities |
|------------------------|----------------------------|-----------------------------|-----------------------------|
| Bonds Payable          | \$ 590,000                 | \$ -                        | \$ 590,000                  |
| Capital Leases Payable | 170,741                    | -                           | 170,741                     |
| Accrued Absences       | 80,689                     | 24,162                      | 104,851                     |
| Total                  | <u>\$ 841,430</u>          | <u>\$ 24,162</u>            | <u>\$ 865,592</u>           |

Additional information on the Agency's long-term debt can be found in Note H on pages 39-40 of this report.

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

The 2020-2021 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 2020-21 the Section 81 funds (used for general administration for Intermediate School Districts/Educational Service Agencies) were anticipated to be flat from the 2019-20 allocation. Section 81 funding is still lower than the 2008-09 fiscal year allocation level. This remains 15% lower than 2008-09 fiscal year. In preparing the budget the Agency is anticipating a reduction in the Special Education (Sec. 56) and Vocational Education (Sec. 62) Millage Equalizations. The State in the past has tried to make up for the varied property values in different districts in Michigan by distributing funds on an "equalized" basis. This was an attempt by the State to provide equitable special education and career-tech education opportunities in property-poor districts to similar levels as land rich areas. The Agency has suffered about \$1.5 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 and 2018-19 years. The calculation of the Millage Equalization funding sources is based upon a formula which will result the eventual phase out of these funding sources for NC RESA, unless it is funded by the State to the full amount necessary.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

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 2020-21 budget for the Agency was \$1,273,230 or a 14.4% increase from 2019-20 actual revenues of \$1,112,836. Fiscal year 2019-20 amount was about a 1.9% decrease from the amount received in 2018-19 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 \$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 2020-21 budget reflects a 1.09% reduction from the 2019-20 budgets. This is mostly due to a reduction in the amount estimated for the Coronavirus Aid, Relief, and Economic Security (CARES) Act Grants, which is not anticipated in the budget for the Fiscal Year ended June 30, 2021.

Property tax values for properties within the Agency's district are beginning to recover. In addition, some of the property eligible for the Agricultural Renaissance Zone Credits has become no longer eligible, which resulted in a 6.0% increase in 2019-20 compared with 2018-19 increase of 3.3%. Since this increase took place last year, the 2020-21 budget reflects only a 1.5% increase from 2019-20 fiscal year actual property taxes. 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 1.2% for fiscal year 2020-21. The decrease was largely due to the elimination or significant reductions of several grants received in 2020-21 including grants for Mental Health, Coronavirus Aid, Relief, and Economic Security (CARES) Act, Fremont Area Community Foundation (FACF) WE CAN College Access, Trusted Advisors, and Great Start Readiness Program (GSRP) Preschool Grants. The Special Education Fund budgeted a 1.6% increase in expenditures (including transfers) to \$10,701,966 in fiscal year 2020-21. This increase is mainly due to an increase in the estimated of wages and benefits. The Career Technical Fund budget reflected \$6,837,459 in expenditures (including transfers) for fiscal 2020-21, a 4.25% increase from the final 2019-20 budget of \$6,558,759. 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, 2020**

|  | Governmental<br>Activities | Business-Type<br>Activities | Total          |
|--|----------------------------|-----------------------------|----------------|
| <b>Assets</b>                                      |                            |                             |                |
| Current Assets                                     |                            |                             |                |
| Cash and Investments                               | \$ 11,807,870              | \$ 3,198,049                | \$ 15,005,919  |
| Accounts Receivable                                | 51,107                     | 25,481                      | 76,588         |
| Due from Other Governmental Units                  | 2,455,085                  | -                           | 2,455,085      |
| Inventory  | 52,591                     | -                           | 52,591         |
| Prepaid Expenses                                   | 185,220                    | 17,236                      | 202,456        |
| Cash-Restricted                                    | 67,261                     | 621                         | 67,882         |
| Total Current Assets                               | 14,619,134                 | 3,241,387                   | 17,860,521     |
| Noncurrent Assets                                  |                            |                             |                |
| Capital Assets not being Depreciated               | 781,575                    | -                           | 781,575        |
| Capital Assets Being Depreciated                   | 14,876,652                 | 263,696                     | 15,140,348     |
| Total Noncurrent Assets                            | 15,658,227                 | 263,696                     | 15,921,923     |
| Total Assets                                       | 30,277,361                 | 3,505,083                   | 33,782,444     |
| <b>Deferred Outflows of Resources</b>              |                            |                             |                |
| Deferred Outflows of Resources Related to Pensions | 8,552,469                  | 685,315                     | 9,237,784      |
| Deferred Outflows of Resources Related to OPEB     | 2,002,740                  | 169,884                     | 2,172,624      |
| Total Deferred Outflows of Resources               | 10,555,209                 | 855,199                     | 11,410,408     |
| <b>Liabilities</b>                                 |                            |                             |                |
| Current Liabilities                                |                            |                             |                |
| Accounts Payable                                   | 120,313                    | 29,545                      | 149,858        |
| Salaries Payable                                   | 791,846                    | 29,895                      | 821,741        |
| Accrued Liabilities                                | 730,521                    | 13,684                      | 744,205        |
| Unearned Revenue                                   | 2,258,896                  | -                           | 2,258,896      |
| Due to Other School Districts                      | 155,867                    | -                           | 155,867        |
| Current Portion of Long-Term Obligations           | 174,235                    | -                           | 174,235        |
| Total Current Liabilities                          | 4,231,678                  | 73,124                      | 4,304,802      |
| Noncurrent Liabilities                             |                            |                             |                |
| Bonds Payable                                      | 450,000                    | -                           | 450,000        |
| Capital Lease Payable                              | 136,506                    | -                           | 136,506        |
| Accrued Compensated Absences                       | 80,689                     | 24,162                      | 104,851        |
| Net Pension Liability                              | 31,019,072                 | 2,460,901                   | 33,479,973     |
| Net OPEB Liability                                 | 6,716,135                  | 519,704                     | 7,235,839      |
| Total Noncurrent Liabilities                       | 38,402,402                 | 3,004,767                   | 41,407,169     |
| Total Liabilities                                  | 42,634,080                 | 3,077,891                   | 45,711,971     |
| <b>Deferred Inflows of Resources</b>               |                            |                             |                |
| Deferred Inflows of Resources Related to Pensions  | 2,422,714                  | 189,696                     | 2,612,410      |
| Deferred Inflows of Resources Related to OPEB      | 2,699,209                  | 231,832                     | 2,931,041      |
| Total Deferred Inflows of Resources                | 5,121,923                  | 421,528                     | 5,543,451      |
| <b>Net Position</b>                                |                            |                             |                |
| Net Investment in Capital Assets                   | 14,897,486                 | 263,696                     | 15,161,182     |
| Restricted for Debt Service                        | 22                         | -                           | 22             |
| Restricted for Food Service                        | 4,399                      | -                           | 4,399          |
| Restricted for Fund Purposes                       | 5,198,492                  | -                           | 5,198,492      |
| Unrestricted                                       | (27,023,832)               | 597,167                     | (26,426,665)   |
| Total Net Position                                 | \$ (6,923,433)             | \$ 860,863                  | \$ (6,062,570) |

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, 2020**

| Functions/Programs                             | Expenses             | Program Revenues        |  |  | Net (Expenses) Revenues and<br>Changes in Net Position |                             | Total           |
|--|----------------------|-------------------------|--|--|--|-----------------------------|-----------------|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Government<br>Activities                               | Business-Type<br>Activities |                 |
| <b>Governmental Activities</b>                 |                      |                         |  |  |  |                             |                 |
| Instruction:                                   |                      |                         |  |  |  |                             |                 |
| Regular Instruction                            | \$ 2,419,879         | \$ 2,133                | \$ 2,472,761                             | \$ -                                   | \$ 55,015  | \$ -                        | \$ 55,015       |
| Special Instruction                            | 3,691,461            | 734,916                 | 4,496,314                                | -                                      | 1,539,769  | -                           | 1,539,769       |
| Vocational Instruction                         | 3,305,042            | 315,832                 | 872,689                                  | -                                      | (2,116,521)  | -                           | (2,116,521)     |
| Total Instruction                              | 9,416,382            | 1,052,881               | 7,841,764                                | -                                      | (521,737)  | -                           | (521,737)       |
| Support Services:                              |                      |                         |  |  |  |                             |                 |
| Pupil Services                                 | 5,393,594            | -                       | 101,108                                  | -                                      | (5,292,486)  | -                           | (5,292,486)     |
| Instructional Staff Services                   | 2,099,757            | -                       | 467,979                                  | -                                      | (1,631,778)  | -                           | (1,631,778)     |
| General Administration Services                | 482,153              | -                       | -  | -                                      | (482,153)  | -                           | (482,153)       |
| School Administration Services                 | 289,801              | -                       | 18,206                                   | -                                      | (271,595)  | -                           | (271,595)       |
| Business Services                              | 1,118,325            | -                       | 30,253                                   | -                                      | (1,088,072)  | -                           | (1,088,072)     |
| Operations and Maintenance                     | 1,547,856            | 541,871                 | -  | -                                      | (1,005,985)  | -                           | (1,005,985)     |
| Pupil Transportation Services                  | 104,276              | -                       | -  | -                                      | (104,276)  | -                           | (104,276)       |
| Central Services                               | 955,069              | -                       | -  | -                                      | (955,069)  | -                           | (955,069)       |
| Other Support Services                         | 48,800               | -                       | -  | -                                      | (48,800)   | -                           | (48,800)        |
| Total Support Services                         | 12,039,631           | 541,871                 | 617,546                                  | -                                      | (10,880,214)   | -                           | (10,880,214)    |
| Community Services                             | 950,758              | 79,839                  | 897,228                                  | -                                      | 26,309   | -                           | 26,309          |
| Food Services                                  | 83,482               | -                       | -  | -                                      | (83,482)   | -                           | (83,482)        |
| Facilities Acquisition                         | 5,218                | -                       | -  | -                                      | (5,218)  | -                           | (5,218)         |
| Interest on Debt                               | 22,325               | -                       | -  | -                                      | (22,325)   | -                           | (22,325)        |
| Total Governmental Activities                  | 22,517,796           | 1,674,591               | 9,356,538                                | -                                      | (11,486,667)   | -                           | (11,486,667)    |
| <b>Business-Type Activities</b>                |                      |                         |  |  |  |                             |                 |
| Newaygo County Advanced<br>Technology Services |                      |                         |  |  |  |                             |                 |
|  | 2,545,411            | 3,171,459               | -  | -                                      | -  | 626,048                     | 626,048         |
| Total Business-Type Activities                 | 2,545,411            | 3,171,459               | -  | -                                      | -  | 626,048                     | 626,048         |
| Total School District                          | <u>\$ 25,063,207</u> | <u>\$ 4,846,050</u>     | <u>\$ 9,356,538</u>                      | <u>\$ -</u>                            | \$ (11,486,667)  | \$ 626,048                  | \$ (10,860,619) |

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

|   | Net (Expenses) Revenues and<br>Changes in Net Position |                             |                              |
|---|--|-----------------------------|------------------------------|
|   | Government<br>Activities                               | Business-Type<br>Activities | Total                        |
| General Revenues  |  |                             |                              |
| Property Taxes  |  |                             |                              |
| General Purposes  | \$ 198,123   | \$ -                        | \$ 198,123                   |
| Special Education   | 4,404,481  | -                           | 4,404,481                    |
| Vocational Education  | 4,404,956  | -                           | 4,404,956                    |
| State and Federal Aids Not Restricted To<br>Specific Functions: |  |                             |                              |
| General   | 2,000,186  | -                           | 2,000,186                    |
| Interest and Investment Earnings                                | 91,910   | 33,552                      | 125,462                      |
| Miscellaneous   | 293,294  | -                           | 293,294                      |
| Gain (Loss) on Sale   | (53,486)   | -                           | (53,486)                     |
| Total General Revenues  | <u>11,339,464</u>                                      | <u>33,552</u>               | <u>11,373,016</u>            |
| Change in Net Position  | (147,203)  | 659,600                     | 512,397                      |
| Net Position - July 1, 2019                                     | <u>(6,776,230)</u>                                     | <u>201,263</u>              | <u>(6,574,967)</u>           |
| Net Position - June 30, 2020                                    | <u><u>\$ (6,923,433)</u></u>                           | <u><u>\$ 860,863</u></u>    | <u><u>\$ (6,062,570)</u></u> |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2020**

|                                      | General<br>Fund     | Special<br>Education | Career<br>Tech      | Capital<br>Projects | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|---------------------|----------------------|---------------------|---------------------|------------------------------------|--------------------------------|
| <b>Assets</b>                        |                     |                      |                     |                     |                                    |                                |
| Cash/Investments                     | \$ 2,582,180        | \$ 2,340,582         | \$ 2,827,933        | \$ 3,742,439        | \$ 4,394                           | \$ 11,497,528                  |
| Accounts Receivable                  | 50,864              | 104                  | -                   | -                   | -                                  | 50,968                         |
| Due from Other Governmental Units    | 1,021,100           | 1,238,020            | 195,780             | -                   | 185                                | 2,455,085                      |
| Inventory                            | 6,995               | 6,995                | 38,601              | -                   | -                                  | 52,591                         |
| Prepaid Expenses                     | 91,613              | 59,791               | 33,794              | -                   | 22                                 | 185,220                        |
| Cash-Restricted                      | 20,948              | 31,182               | 15,014              | -                   | 117                                | 67,261                         |
| Total Assets                         | <u>\$ 3,773,700</u> | <u>\$ 3,676,674</u>  | <u>\$ 3,111,122</u> | <u>\$ 3,742,439</u> | <u>\$ 4,718</u>                    | <u>\$ 14,308,653</u>           |
| <b>Liabilities and Fund Balances</b> |                     |                      |                     |                     |                                    |                                |
| <b>Liabilities</b>                   |                     |                      |                     |                     |                                    |                                |
| Accounts Payable                     | \$ 86,672           | \$ 15,944            | \$ 17,697           | \$ -                | \$ -                               | \$ 120,313                     |
| Salaries Payable                     | 171,550             | 452,523              | 167,773             | -                   | -                                  | 791,846                        |
| Payroll Taxes Payable                | 16,241              | 32,219               | 11,825              | -                   | -                                  | 60,285                         |
| Fringe Benefits Payable              | 188,698             | 333,472              | 147,791             | -                   | 275                                | 670,236                        |
| Unearned Revenue                     | 2,143,884           | 11,852               | 103,160             | -                   | -                                  | 2,258,896                      |
| Due to Other School Districts        | -                   | 155,867              | -                   | -                   | -                                  | 155,867                        |
| Total Liabilities                    | <u>2,607,045</u>    | <u>1,001,877</u>     | <u>448,246</u>      | <u>-</u>            | <u>275</u>                         | <u>4,057,443</u>               |
| <b>Fund Balances</b>                 |                     |                      |                     |                     |                                    |                                |
| Nonspendable Inventory               | 6,995               | 6,995                | 38,601              | -                   | -                                  | 52,591                         |
| Nonspendable Prepaid Expenses        | 91,613              | 59,791               | 33,794              | -                   | 22                                 | 185,220                        |
| Restricted for Debt Service          | -                   | -                    | -                   | -                   | 22                                 | 22                             |
| Restricted for Food Service          | -                   | -                    | -                   | -                   | 4,399                              | 4,399                          |
| Restricted for Fund Purposes         | -                   | 2,608,011            | 2,590,481           | -                   | -                                  | 5,198,492                      |
| Assigned for General Fund            | -                   | -                    | -                   | 58,895              | -                                  | 58,895                         |
| Assigned for Special Ed Fund         | -                   | -                    | -                   | 996,456             | -                                  | 996,456                        |
| Assigned for Career Tech Fund        | -                   | -                    | -                   | 1,833,539           | -                                  | 1,833,539                      |
| Assigned for NCATS Fund              | -                   | -                    | -                   | 853,549             | -                                  | 853,549                        |
| Unassigned                           | 1,068,047           | -                    | -                   | -                   | -                                  | 1,068,047                      |
| Total Fund Balances                  | <u>1,166,655</u>    | <u>2,674,797</u>     | <u>2,662,876</u>    | <u>3,742,439</u>    | <u>4,443</u>                       | <u>10,251,210</u>              |
| Total Liabilities and Fund Balances  | <u>\$ 3,773,700</u> | <u>\$ 3,676,674</u>  | <u>\$ 3,111,122</u> | <u>\$ 3,742,439</u> | <u>\$ 4,718</u>                    | <u>\$ 14,308,653</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, 2020**

|                                  |    |            |
|----------------------------------|----|------------|
| Total Governmental Fund Balances | \$ | 10,251,210 |
|----------------------------------|----|------------|

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 |  | 310,481 |
|--|--|---------|

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           | \$ 28,381,600       |            |
| Governmental accumulated depreciation | <u>(12,723,373)</u> | 15,658,227 |

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 | 8,552,469          |           |
| Deferred inflows of resources related to pensions  | (2,422,714)        |           |
| Deferred outflows of resources related to OPEB     | 2,002,740          |           |
| Deferred inflows of resources related to OPEB      | <u>(2,699,209)</u> | 5,433,286 |

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    |  | (80,689)           |
| Obligation Under Capital Leases |  | (170,741)          |
| Bonds payable                   |  | (590,000)          |
| Net pension liability           |  | (31,019,072)       |
| Net OPEB liability              |  | <u>(6,716,135)</u> |

|  |    |                           |
|--|----|---------------------------|
| Total Net Position - Governmental Activities | \$ | <u><u>(6,923,433)</u></u> |
|--|----|---------------------------|

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2020**

|                                     | General      | Special<br>Education | Career<br>Tech | Capital<br>Projects | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|--------------|----------------------|----------------|---------------------|------------------------------------|--------------------------------|
| <b>Revenues</b>                     |              |                      |                |                     |                                    |                                |
| Local Sources                       | \$ 1,606,680 | \$ 5,176,692         | \$ 4,544,131   | \$ 42,142           | \$ 22                              | \$ 11,369,667                  |
| State Sources                       | 3,915,809    | 2,801,741            | 1,162,060      | -                   | 1,448                              | 7,881,058                      |
| Federal Sources                     | 400,943      | 2,350,379            | 114,878        | -                   | 79,799                             | 2,945,999                      |
| Interdistrict Sources               | 30,253       | 7,788                | 93,750         | -                   | -                                  | 131,791                        |
| Total Revenues                      | 5,953,685    | 10,336,600           | 5,914,819      | 42,142              | 81,269                             | 22,328,515                     |
| <b>Expenditures</b>                 |              |                      |                |                     |                                    |                                |
| Instruction                         | 1,831,335    | 1,653,767            | 2,893,970      | -                   | -                                  | 6,379,072                      |
| Support Services:                   |              |                      |                |                     | -                                  |                                |
| Pupil Services                      | 237,793      | 4,337,499            | 220,826        | -                   | -                                  | 4,796,118                      |
| Instructional Staff Services        | 773,015      | 704,599              | 387,974        | -                   | -                                  | 1,865,588                      |
| General Administration Services     | 466,274      | 14,867               | 5,577          | -                   | -                                  | 486,718                        |
| School Administration Services      | -            | -                    | 203,701        | -                   | -                                  | 203,701                        |
| Business Services                   | 535,359      | 81,354               | 61,584         | -                   | 628                                | 678,925                        |
| Operations & Maintenance            | 766,402      | 261,740              | 537,398        | -                   | -                                  | 1,565,540                      |
| Pupil Transportation                | 94,201       | 2,092                | 6,056          | -                   | -                                  | 102,349                        |
| Central Services                    | 457,326      | 126,990              | 246,869        | -                   | 430                                | 831,615                        |
| Other Support Services              | -            | -                    | 46,900         | -                   | -                                  | 46,900                         |
| Community Services                  | 859,405      | 18,919               | 4,259          | -                   | -                                  | 882,583                        |
| Food Services                       | -            | -                    | -              | -                   | 81,474                             | 81,474                         |
| Facilities Acquisition              | -            | -                    | -              | 12,892              | -                                  | 12,892                         |
| Debt Service                        | -            | -                    | -              | -                   | 158,875                            | 158,875                        |
| Transfers to Other School Districts | -            | 1,801,273            | -              | -                   | -                                  | 1,801,273                      |
| Transfers to Other Entities         | 349,539      | -                    | -              | -                   | -                                  | 349,539                        |
| Total Expenditures                  | 6,370,649    | 9,003,100            | 4,615,114      | 12,892              | 241,407                            | 20,243,162                     |
| Excess Revenues Over (Under)        |              |                      |                |                     |                                    |                                |
| Expenditures                        | \$ (416,964) | \$ 1,333,500         | \$ 1,299,705   | \$ 29,250           | \$ (160,138)                       | \$ 2,085,353                   |

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

|                                       | <u>General</u>             | <u>Special<br/>Education</u> | <u>Career<br/>Tech</u>     | <u>Capital<br/>Projects</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------|----------------------------|------------------------------|----------------------------|-----------------------------|---|---|
| <b>Other Financing Sources (Uses)</b> |                            |                              |                            |                             |   |   |
| Operating Transfers In                | \$ 701,824                 | -                            | -                          | \$ 1,275,000                | \$ 158,888                                  | \$ 2,135,712                            |
| Operating Transfers Out               | <u>(183,888)</u>           | <u>(905,306)</u>             | <u>(1,046,518)</u>         | <u>-</u>                    | <u>-</u>                                    | <u>(2,135,712)</u>                      |
| Total Other Financing Sources (Uses)  | <u>517,936</u>             | <u>(905,306)</u>             | <u>(1,046,518)</u>         | <u>1,275,000</u>            | <u>158,888</u>                              | <u>-</u>                                |
| <b>Net Change in Fund Balances</b>    | 100,972                    | 428,194                      | 253,187                    | 1,304,250                   | (1,250)                                     | 2,085,353                               |
| <b>Fund Balances - July 1, 2019</b>   | <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>                        |
| <b>Fund Balances - June 30, 2020</b>  | <u><u>\$ 1,166,655</u></u> | <u><u>\$ 2,674,797</u></u>   | <u><u>\$ 2,662,876</u></u> | <u><u>\$ 3,742,439</u></u>  | <u><u>\$ 4,443</u></u>                      | <u><u>\$ 10,251,210</u></u>             |

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 2,085,353

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 (82,511)

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  | \$ 178,462 |           |
| Depreciation expense reported in the statement of activities                                   | (494,010)  |           |
|  |            |           |
| Amount by which capital outlays are greater (less) than depreciation<br>in the current period: |            | (315,548) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Proceeds from debt issued in the current year

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                         |  | (53,486)    |
| (Increase) in compensated absences liability                     |  | (28,596)    |
| (Decrease) in deferred outflows of resources related to pensions |  | (746,763)   |
| Decrease in deferred inflows of resources related to pensions    |  | 805,638     |
| Increase in net pension liability                                |  | (2,463,547) |
| Increase in deferred outflows of resources related to OPEB       |  | 660,569     |
| Increase in deferred inflows of resources related to OPEB        |  | (1,003,127) |
| Decrease in net OPEB liability                                   |  | 854,815     |
|  |  |             |

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: 140,000

Change in Net Position - Governmental Activities \$ (147,203)

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2020**

|  | Business-Type<br>Activities<br><u>Newaygo County<br/>Advanced Technology<br/>Services</u> | Governmental<br>Activities<br><u>Internal<br/>Service Funds</u> |
|--|---|---|
| <b>Assets</b>                                      |   |   |
| Current Assets                                     |   |   |
| Cash and Investments                               | \$ 3,198,049  | \$ 310,342  |
| Accounts Receivable                                | 25,481  | 139   |
| Prepaid Expenses                                   | 17,236  | -   |
| Cash-Restricted                                    | 621   | -   |
| Total Current Assets                               | 3,241,387   | 310,481   |
| Noncurrent Assets                                  |   |   |
| Building Additions                                 | 88,493  | -   |
| Furniture and Equipment                            | 213,238   | 195,113   |
| Site Improvements                                  | 30,450  | -   |
| Vehicles   | 98,362  | -   |
| Less Accumulated Depreciation                      | (166,847)   | (18,772)  |
| Total Net Noncurrent Assets                        | 263,696   | 176,341   |
| Total Assets                                       | 3,505,083   | 486,822   |
| <b>Deferred Outflows of Resources</b>              |   |   |
| Deferred Outflows of Resources Related to Pensions | 685,315   | -   |
| Deferred Outflows of Resources Related to OPEB     | 169,884   | -   |
| Total Deferred Outflows of Resources               | 855,199   | -   |
| <b>Liabilities</b>                                 |   |   |
| Current Liabilities                                |   |   |
| Accounts Payable                                   | 29,545  | -   |
| Salaries Payable                                   | 29,895  | -   |
| Accrued Liabilities                                | 13,684  | -   |
| Current Portion Long-Term Debt                     | -   | 34,235  |
| Total Current Liabilities                          | 73,124  | 34,235  |
| Noncurrent Liabilities                             |   |   |
| Accrued Compensated Absences                       | 24,162  | -   |
| Long-Term Debt                                     | -   | 136,506   |
| Net Pension Liability                              | 2,460,901   | -   |
| Net OPEB Liability                                 | 519,704   | -   |
| Total Noncurrent Liabilities                       | 3,004,767   | 136,506   |
| Total Liabilities                                  | 3,077,891   | 170,741   |
| <b>Deferred Inflows of Resources</b>               |   |   |
| Deferred Inflows of Resources Related to Pensions  | 189,696   | -   |
| Deferred Inflows of Resources Related to OPEB      | 231,832   | -   |
| Total Deferred Inflows of Resources                | 421,528   | -   |
| <b>Net Position</b>                                |   |   |
| Net Investment in Capital Assets                   | 175,203   | 176,341   |
| Unrestricted                                       | 685,660   | 139,740   |
| Total Net Position                                 | \$ 860,863  | \$ 316,081  |

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
STATEMENT OF REVENUES, EXPENSES AND CHANGE  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

|  | Business-Type<br>Activities                       | Governmental<br>Activities |
|--|---|----------------------------|
|  | Newaygo County<br>Advanced Technology<br>Services | Internal<br>Service Funds  |
| <b>Operating Revenue</b>                 |   |                            |
| Local Revenues                           | \$ 3,171,459                                      | \$ 135,698                 |
| <b>Operating Expenses</b>                |   |                            |
| Support Services                         |   |                            |
| General Administration                   | 4,549   | -                          |
| Business Services                        | 76,523  | 76,118                     |
| Operation & Maintenance                  | 106,869   | -                          |
| Central Services                         | 2,324,141   | 82,258                     |
| Total Support Services                   | 2,512,082   | 158,376                    |
| Total Expenses                           | 2,512,082   | 158,376                    |
| Operating Income (Loss)                  | 659,377   | (22,678)                   |
| <b>Non-Operating Revenues (Expenses)</b> |   |                            |
| Depreciation Expense                     | (33,329)  | (16,245)                   |
| Interest and Dividends                   | 33,552  | 4,368                      |
| Interest Expense                         | -   | (3,450)                    |
| Sale of Fixed Assets                     | -   | (44,506)                   |
| Total Non-Operating Revenues (Expenses)  | 223   | (59,833)                   |
| <b>Change in Net Position</b>            | 659,600   | (82,511)                   |
| <b>Net Position - July 1, 2019</b>       | 201,263   | 398,592                    |
| <b>Net Position - June 30, 2020</b>      | \$ 860,863  | \$ 316,081                 |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | Business-Type<br>Activities                       | Governmental<br>Activities |
|--|---|----------------------------|
|  | Newaygo County<br>Advanced Technology<br>Services | Internal<br>Service Funds  |
| <b>Cash Flows from Operating Activities</b>  |   |                            |
| Cash Received from Customers   | \$ 3,204,741                                      | \$ 135,698                 |
| Cash Paid to Employees   | (1,281,533)                                       | -                          |
| Cash Paid to Suppliers   | (1,004,348)                                       | (158,378)                  |
| Net Cash Provided by Operating Activities  | 918,860   | (22,680)                   |
| <b>Cash Flows from Financing Activities</b>  |   |                            |
| Proceeds from Long-Term Debt   | -   | 184,546                    |
| Principal Payments on Long-Term Debt   | -   | (13,805)                   |
| Interest Expense   | -   | (3,450)                    |
| Net Cash (Used) by Financing Activities  | -   | 167,291                    |
| <b>Cash Flows from Investing Activities</b>  |   |                            |
| Purchases of Equipment / Building Additions  | (152,104)   | (184,546)                  |
| Interest and Dividends   | 33,552  | 4,368                      |
| Net Cash (Used) Provided by Investing Activities   | (118,552)   | (180,178)                  |
| <b>Net Increase (Decrease) in Cash and Investments</b>   | 800,308   | (35,567)                   |
| <b>Cash and Cash Equivalents - July 1, 2019</b>  | 2,398,362   | 345,909                    |
| <b>Cash and Cash Equivalents - June 30, 2020</b>   | \$ 3,198,670                                      | \$ 310,342                 |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b> |   |                            |
| Operating Income   | \$ 659,377  | \$ (22,678)                |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities        |   |                            |
| (Increase) Decrease in Accounts Receivable   | 37,467  | (2)                        |
| (Increase) Decrease in Prepaid Expenses  | (4,185)   | -                          |
| (Increase) Decrease in Restricted Cash   | -   | -                          |
| (Increase) Decrease in Deferred Outflows   | 7,783   | -                          |
| Increase (Decrease) in Accounts Payable  | 627   | -                          |
| Increase (Decrease) in Salaries Payables   | 28,995  | -                          |
| Increase (Decrease) in Other Payroll Payables  | 5,818   | -                          |
| Increase (Decrease) in Accrued Comp. Absences  | 19,892  | -                          |
| Increase (Decrease) in Net Pension Liability   | 222,438   | -                          |
| Increase (Decrease) in Net OPEB Liability  | (77,182)  | -                          |
| Increase (Decrease) in Deferred Inflows  | 17,830  | -                          |
| Net Cash Provided by Operating Activities  | \$ 918,860  | \$ (22,680)                |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
STATEMENT OF NET POSITION - FIDUCIARY FUND  
JUNE 30, 2020**

|                       | <u>Agency Funds</u>         |
|-----------------------|-----------------------------|
| <b>Assets</b>         |                             |
| Cash                  | \$ 78,788                   |
|                       | <u>                    </u> |
| <b>Liabilities</b>    |                             |
| Due to Student Groups | \$ 78,788                   |
|                       | <u>                    </u> |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020**

**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 expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

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

The Agency reports the following major proprietary fund:

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

7. Inventories

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

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 expenditures when consumed.

10. Capital Assets

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

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

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

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

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

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, 2020**

**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 expenditures at the time of issuance.

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

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, 2020**

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

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 liabilities. 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 has both pension and OPEB items that qualify for reporting in this category.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**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 has both pension and OPEB items that qualify for reporting in this category.

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

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

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

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

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

The Agency did not have instances where expenditures exceeded the revised budget by a material amount for the year ended June 30, 2020.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE C – DEPOSITS AND INVESTMENTS**

As of June 30, 2020, the Agency had the following investments:

| Investment Type               | Fair Value          | Maturities | Standard<br>& Poor's<br>Rating |
|-------------------------------|---------------------|------------|--------------------------------|
| Michigan Liquid Assets Fund * | \$ 854,083          | N/A        | AAAm                           |
| Michigan CLASS Pool           | 3,898,244           | N/A        | AAAm                           |
| Chemical Business Cash Mgmt   | 528,506             | N/A        | AAAm                           |
| Total Fair Value              | <u>\$ 5,280,833</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, 2020 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, 2020, 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 TCF National 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, 2020**

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

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

As of June 30, 2020, \$12,402,991 of the Agency's bank balance of \$15,437,748 was exposed to custodial credit risk as follows:

|  |               |
|--|---------------|
| Insured or Collateralized  | \$ 3,034,757  |
| Uninsured and Uncollateralized   | 7,122,158     |
| Uninsured and collateral held by pledging bank's trust<br>department not in Agency's name. | 5,280,833     |
| Total Bank Balance   | \$ 15,437,748 |

*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, 2020**

**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. TCF National Bank | 6. Michigan CLASS             |
| 3. Independent Bank  | 7. ChoiceOne Bank             |
| 4. Horizon Bank      | 8. Flagstar Bank              |

**NOTE D - INVENTORY**

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

|           | General<br>Fund | Special<br>Education<br>Fund | Career<br>Tech<br>Fund | Total     |
|-----------|-----------------|------------------------------|------------------------|-----------|
| Inventory | \$ 6,995        | \$ 6,995                     | \$ 38,601              | \$ 52,591 |

**NOTE E - RECEIVABLES AND UNEARNED REVENUE**

Receivables

Receivables, net of allowance for uncollectibles, as of the year ended June 30, 2020 for the Agency's individual major funds and non-major and internal service funds in the aggregate are as follows:

|                              | Accounts<br>Receivable | Due from<br>Other Govt's | Total<br>Receivables |
|------------------------------|------------------------|--------------------------|----------------------|
| General Fund                 | \$ 50,864              | \$ 1,021,100             | \$ 1,071,964         |
| Special Education Fund       | 104                    | 1,238,020                | 1,238,124            |
| Career Tech Fund             | -                      | 195,780                  | 195,780              |
| Non-Major Governmental Funds | -                      | 185                      | 185                  |
| NCATS Fund                   | 25,481                 | -                        | 25,481               |
| Office Service Fund          | 139                    | -                        | 139                  |
| Total                        | \$ 76,588              | \$ 2,455,085             | \$ 2,531,673         |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**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 June 30, 2020, the various components of unearned revenue reported in the governmental funds were as follows:

|   | <u>Unearned</u> |
|---|-----------------|
| Grant draw downs prior to meeting<br>all eligibility requirements |                 |
| General Fund  | \$ 2,143,884    |
| Special Education   | 11,852          |
| Career Tech   | 103,160         |
| Total   | \$ 2,258,896    |

The grants included in the unearned category are primarily local and state funding sources. Federal grants are typically drawn down on a reimbursement basis only. Due to a change in a federal grant reporting system, there was about \$33,000 drawn on federal grants prior to the expenditure.

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

Receivables/Payables

There were no amounts receivable or payables between funds at June 30, 2020.

Transfers

|                |                        | Transfers To    |                            |                             | <u>Total</u> |
|----------------|------------------------|-----------------|----------------------------|-----------------------------|--------------|
|                |                        | General<br>Fund | Debt<br>Retirement<br>Fund | Capital<br>Projects<br>Fund |              |
| Transfers From | General Fund           | \$ -            | \$ 158,888                 | \$ 25,000                   | \$ 183,888   |
|                | Special Education Fund | 405,306         | -                          | 500,000                     | 905,306      |
|                | Career Tech Fund       | 296,518         | -                          | 750,000                     | 1,046,518    |
|                | Total                  | \$ 701,824      | \$ 158,888                 | \$ 1,275,000                | \$ 2,135,712 |

Transfers into the General Fund in the amount of \$701,824 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, 2020**

**NOTE G - CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2020 follows:

|                                      | Balance<br>6/30/19   | Additions         | Deletions/<br>Adjustments | Balance<br>6/30/20   |
|--------------------------------------|----------------------|-------------------|---------------------------|----------------------|
| <b>Governmental-Type Activities</b>  |                      |                   |                           |                      |
| Capital Assets not being depreciated |                      |                   |                           |                      |
| Land                                 | \$ 791,575           | \$ -              | \$ 10,000                 | \$ 781,575           |
| Capital Assets Being Depreciated     |                      |                   |                           |                      |
| Site Improvements                    | 2,852,366            | -                 | 64,988                    | 2,787,378            |
| Buildings                            | 10,603,558           | -                 | 17,500                    | 10,586,058           |
| Building Additions                   | 10,366,596           | 93,349            | -                         | 10,459,945           |
| Equipment and Furniture              | 3,579,204            | 269,658           | 375,395                   | 3,473,467            |
| Vehicles                             | 309,636              | -                 | 16,459                    | 293,177              |
| Totals at Historical Cost            | <u>27,711,360</u>    | <u>363,007</u>    | <u>474,342</u>            | <u>27,600,025</u>    |
| Less Accumulated Depreciation for    |                      |                   |                           |                      |
| Site Improvements                    | 2,564,262            | 14,836            | 29,765                    | 2,549,333            |
| Buildings                            | 3,622,757            | 167,736           | 9,238                     | 3,781,255            |
| Building Additions                   | 3,183,578            | 186,777           |                           | 3,370,355            |
| Equipment and Furniture              | 3,002,563            | 127,687           | 330,889                   | 2,799,361            |
| Vehicles                             | 226,308              | 13,219            | 16,458                    | 223,069              |
| Total Accumulated Depreciation       | <u>12,599,468</u>    | <u>510,255</u>    | <u>386,350</u>            | <u>12,723,373</u>    |
| Net Capital Assets being depreciated | <u>15,111,892</u>    | <u>873,262</u>    | <u>860,692</u>            | <u>14,876,652</u>    |
| Total Governmental Activities        |                      |                   |                           |                      |
| Capital Assets - Net of Depreciation | <u>\$ 15,903,467</u> | <u>\$ 873,262</u> | <u>\$ 870,692</u>         | <u>\$ 15,658,227</u> |
| <b>Business-Type Activities</b>      |                      |                   |                           |                      |
| Capital Assets Being Depreciated     |                      |                   |                           |                      |
| Building Additions                   | \$ -                 | \$ 88,493         | \$ -                      | \$ 88,493            |
| Site Improvements                    | 30,450               | -                 | -                         | 30,450               |
| Vehicles                             | 64,568               | 33,793            | -                         | 98,361               |
| Equipment and Furniture              | 189,135              | 29,818            | 5,715                     | 213,238              |
| Totals at Historical Cost            | <u>284,153</u>       | <u>152,104</u>    | <u>5,715</u>              | <u>430,542</u>       |
| Less Accumulated Depreciation for    |                      |                   |                           |                      |
| Building Additions                   | -                    | 10,608            | -                         | 10,608               |
| Site Improvements                    | 2,305                | 1,034             | -                         | 3,339                |
| Vehicles                             | 18,576               | 10,811            | -                         | 29,387               |
| Equipment and Furniture              | 118,351              | 10,876            | 5,715                     | 123,512              |
| Total Accumulated Depreciation       | <u>139,232</u>       | <u>33,329</u>     | <u>5,715</u>              | <u>166,846</u>       |
| Total Business-Type Activities       |                      |                   |                           |                      |
| Capital Assets - Net of Depreciation | <u>\$ 144,921</u>    | <u>\$ 118,775</u> | <u>\$ -</u>               | <u>\$ 263,696</u>    |

Depreciation expense was charged to governmental functions as follows:

|  |                   |
|--|-------------------|
| Instruction - Vocational Education/Special Education | \$ 316,558        |
| Operation and Maintenance                            | <u>193,697</u>    |
| Total Depreciation Expense - Governmental Activities | <u>\$ 510,255</u> |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

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

Governmental Activities

The long-term debt includes Bonds Payable, Capital Leases, and Vacation and Termination Pay. Since none of this debt will be retired with current operating resources, they are appropriately included in the non-current Liabilities. All items will be recorded as an expenditure of the year in which they are paid.

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.

Office Services Equipment Capital Lease - The Agency entered into an agreement with Applied Imaging on January 10, 2020 for the lease of various copiers. The equipment is located in various buildings owned by the Agency. The lease terms include 60 monthly payments of \$3,451 to be applied to interest and principal. These payments also include the costs of a maintenance agreement.

Compensated Absences - Accumulated unpaid vacation at June 30, 2020 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.

Changes in Long-Term Liabilities - The following is a summary of governmental-type and business-type activities long-term liabilities of the Agency for the year ended June 30, 2020:

|   | <b>Balance<br/>July 1,<br/>2019</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Balance<br/>June 30,<br/>2020</b> |
|---|-------------------------------------|-------------------|-------------------|--------------------------------------|
| <b>Governmental Activities:</b>                   |                                     |                   |                   |                                      |
| 2014 Vocational Education Building and Site Bonds | \$ 730,000                          | \$ -              | \$ 140,000        | \$ 590,000                           |
| Office Services Capital Lease                     | -                                   | 184,546           | 13,805            | 170,741                              |
| Compensated Absences                              | 52,093                              | 144,596           | 116,000           | 80,689                               |
| Governmental Activities Long-Term Liabilities     | <u>\$ 782,093</u>                   | <u>\$ 329,142</u> | <u>\$ 269,805</u> | <u>\$ 841,430</u>                    |
| <b>Business-Type Activities:</b>                  |                                     |                   |                   |                                      |
| Compensated Absences                              | <u>\$ 4,270</u>                     | <u>\$ 43,087</u>  | <u>\$ 23,195</u>  | <u>\$ 24,162</u>                     |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE H - GENERAL LONG-TERM OBLIGATIONS (CONTINUED)**

Debt Service requirements at June 30, 2020 were as follows:

| Year Ending<br>June 30 | Governmental Activities                              |           |                                  |           |
|------------------------|--|-----------|----------------------------------|-----------|
|                        | 2014 Vocational Education<br>Building and Site Bonds |           | Office Services<br>Capital Lease |           |
|                        | Principal  | Interest  | Principal                        | Interest  |
|                        |  |           |                                  |           |
| 2021                   | \$ 140,000   | \$ 15,576 | \$ 34,235                        | \$ 7,177  |
| 2022                   | 145,000  | 12,776    | 35,852                           | 5,560     |
| 2023                   | 150,000  | 9,150     | 37,546                           | 3,866     |
| 2024                   | 155,000  | 4,650     | 39,320                           | 2,092     |
| 2025                   | -  | -         | 23,788                           | 368       |
|                        | \$ 590,000   | \$ 42,152 | \$ 170,741                       | \$ 19,063 |

**NOTE I - PROPERTY TAXES**

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

**NOTE J - PENSION PLAN**

**Plan Description**

The Michigan Public School Employees' Retirement System (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, 2020**

**NOTE J - 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](http://www.michigan.gov/orsschools).

**Benefits Provided**

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

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

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20 year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year 2019.

**Pension Contribution Rates**

| <u>Benefit Structure</u> | <u>Member</u> | <u>Employer</u> |
|--------------------------|---------------|-----------------|
| Basic                    | 0.00 - 4.00%  | 18.25%          |
| Member Investment Plan   | 3.00 - 7.00%  | 18.25%          |
| Pension Plus             | 3.00 - 6.40%  | 16.46%          |
| Pension Plus 2           | 6.20%         | 19.59%          |
| Defined Contribution     | 0.00%         | 13.39%          |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE J - PENSION PLAN (CONTINUED)**

Required contributions to the pension plan from Newaygo County Regional Educational Service Agency were \$2,685,685 for the year ended September 30, 2019.

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

At June 30, 2020, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$33,479,974 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the Agency's proportion was 0.10109714 percent, which was a decrease of 0.00133845 percent from its proportion measured as of September 30, 2018.

For the year ended June 30, 2020, the Agency recognized pension expense of \$5,404,827. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 150,068                                    | \$ 139,608                                   |
| Changes of assumptions  | 6,555,402                                     | -  |
| Net difference between projected and actual earnings on pension plan investments                            | -   | 1,072,976                                    |
| Changes in proportion and differences between Agency contributions and proportionate share of contributions | 100,679                                       | 286,990                                      |
| Agency section 147c revenue related to pension contributions subsequent to the measurement date             | -   | 1,112,836                                    |
| Agency contributions subsequent to the measurement date   | <u>2,431,635</u>                              | <u>-</u>                                     |
| Total   | <u>\$9,237,784</u>                            | <u>\$2,612,410</u>                           |

Contributions subsequent to the measurement date are reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE J - PENSION PLAN (CONTINUED)**

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

| Year Ending<br>June 30 | Amount    |
|------------------------|-----------|
| 2020                   | 2,163,896 |
| 2021                   | 1,679,400 |
| 2022                   | 1,050,245 |
| 2023                   | 413,033   |

**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:

*This section intentionally left blank*

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE J - PENSION PLAN (CONTINUED)**

**Summary of Actuarial Assumptions**

Actuarial Assumptions:

|                                     |   |
|-------------------------------------|---|
| Valuation Date:                     | September 30, 2018  |
| Actuarial Cost Method:              | Entry Age, Normal   |
| Wage Inflation Rate:                | 2.75%   |
| Investment Rate of Return           |   |
| -MIP and Basic Plans (Non-Hybrid):  | 6.80%   |
| -Pension Plus Plan (Hybrid):        | 6.80%   |
| -Pension Plus Plan (Hybrid):        | 6.00%   |
| Projected Salary Increases:         | 2.75% - 11.55%, including wage inflation at 2.75%   |
| <br>                                |   |
| Cost-of-Living Pension Adjustments: | 3% Annual Non-Compounded for MIP Members  |
| <br>                                |   |
| Mortality: Retirees:                | RP-2014 Male and Female Combine Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Active Members:                     | RP-2014 Male and Female Combine Healthy Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.                                 |

**Notes:**

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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: 4.4977.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE J - PENSION PLAN (CONTINUED)**

**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, 2019, 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%                   | 5.50%   |
| Private Equity Pools                 | 18.00%                   | 8.60%   |
| International Equity                 | 16.00%                   | 7.30%   |
| Fixed Income Pools                   | 10.50%                   | 1.20%   |
| Real Estate and Infrastructure Pools | 10.00%                   | 4.20%   |
| Absolute Return Pools                | 15.50%                   | 5.40%   |
| Short Term Investment Pools          | 2.00%                    | 0.80%   |
| Total                                | <u>100.00%</u>           |   |

\*Long term rates of return are net of administrative expenses and 2.3% inflation

**Rate of Return**

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14%. 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, 2020**

**NOTE J - PENSION PLAN (CONTINUED)**

**Discount Rate**

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). This discount rate was based on the long term expected rate of return on pension plan investments of 6.80% (7.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Agency's proportionate share of the net pension liability, calculated using a discount rate of 6.00% (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              | Current Single Discount<br>Rate Assumption | 1% Increase              |
|--------------------------|--|--------------------------|
| <u>5.80%/5.80%/5.00%</u> | <u>6.80%/6.80%/6.00%</u>                   | <u>7.80%/7.80%/7.00%</u> |
| \$ 43,526,108            | \$ 33,479,974                              | \$ 25,151,383            |

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

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

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

**Payables to the Pension Plan**

The amount of payables to a defined benefit pension plan outstanding at the end of the reporting period were \$295,577. The payables were based upon the wages being paid over the period from July 1 through August 31, 2020 which were for services provided prior to June 30, 2020 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, 2020**

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

**Plan Description**

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premiums is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2018, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on and after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE K – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (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, 2018 valuation will be amortized over a 20 year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2019.

**OPEB Contribution Rates**

| <u>Benefit Structure</u>    | <u>Member</u> | <u>Employer</u> |
|-----------------------------|---------------|-----------------|
| Premium Subsidy             | 3.00%         | 7.93%           |
| Pers. Healthcare Fund (PHF) | 0.00%         | 7.57%           |

Required contributions to the OPEB plan from Newaygo County Regional Educational Service Agency were \$692,164 for the year ended September 30, 2019.

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

At June 30, 2020, Newaygo County Regional Educational Service Agency (the Agency) reported a liability of \$7,235,838 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the Agency’s proportion was 0.10080930 percent, which was a decrease of 0.00194432 percent from its proportion measured as of October 1, 2018.

See independent auditor’s report.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

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

For the year ended June 30, 2020, the Agency recognized OPEB expense of \$163,097. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$2,655,033                                  |
| Changes of assumptions  | 1,567,860                                     | -  |
| Net difference between projected and actual earnings on OPEB plan investments                               | -   | 125,835                                      |
| Changes in proportion and differences between Agency contributions and proportionate share of contributions | 35,575  | 150,173                                      |
| Agency contributions subsequent to the measurement date   | <u>569,189</u>                                | <u>-</u>                                     |
| Total   | <u>\$2,172,624</u>                            | <u>\$2,931,041</u>                           |

Contributions subsequent to the measurement date are reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

| <u>Year Ending<br/>June 30</u> | <u>Amount</u> |
|--------------------------------|---------------|
| 2020                           | \$(358,842)   |
| 2021                           | (358,842)     |
| 2022                           | (296,300)     |
| 2023                           | (202,526)     |
| 2024                           | \$(111,096)   |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

**Summary of Actuarial Assumptions**

Actuarial Assumptions:

|                             |   |
|-----------------------------|---|
| Valuation Date:             | September 30, 2018                                |
| Actuarial Cost Method:      | Entry Age, Normal                                 |
| Wage Inflation Rate:        | 2.75%   |
| Investment Rate of Return   | 6.95%   |
| 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.

**Notes:**

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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: 5.7101.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

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

**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, 2019, 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%                   | 5.50%   |
| Private Equity Pools                 | 18.00%                   | 8.60%   |
| International Equity                 | 16.00%                   | 7.30%   |
| Fixed Income Pools                   | 10.50%                   | 1.20%   |
| Real Estate and Infrastructure Pools | 10.00%                   | 4.20%   |
| Absolute Return Pools                | 15.50%                   | 5.40%   |
| Short Term Investment Pools          | 2.00%                    | 0.80%   |
| Total                                | <u>100.00%</u>           |   |

\*Long term rates of return are net of administrative expenses and 2.3% inflation

**Rate of Return**

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2020**

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

**Sensitivity of the Agency's Proportionate share of the net OPEB Liability to Changes in the Discount Rate**

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

| 1% Decrease<br>5.95% | Current Discount Rate<br>6.95% | 1% Increase<br>7.95% |
|----------------------|--------------------------------|----------------------|
| \$ 8,875,842         | \$ 7,235,838                   | \$ 5,858,689         |

**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<br>Trend Rate | 1% Increase  |
|--------------|---------------------------------------|--------------|
| \$ 5,800,304 | \$ 7,235,838                          | \$ 8,875,647 |

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

The amount of payables to a defined benefit OPEB plan outstanding at the end of the reporting period were \$127,570. The payables were based upon the wages being paid over the period from July 1 through August 31, 2020 which were for services provided prior to June 30, 2020 and therefore legally required contributions to the OPEB plan.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**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 make no further allocation for the 2019-2020 fiscal year, however, in January, 2020, after several unemployment claims, the allocation was reinstated at 1% of the first \$9,000 of wages.

**NOTE M - LEASE AGREEMENTS**

Lease Agreement - The Arts Center for Newaygo County

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

Lease Agreement - Baker College

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

Lease Agreement - The Gerber Foundation

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

Lease Agreement - Muskegon Community College

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

Lease Agreement - County of Newaygo

On September 1, 2015, the Newaygo County Regional Educational Service Agency ("Lessor") and the County of Newaygo ("Lessee") entered into a lease for two offices, one receptionist space, and up to 8 hours of classroom space at the Regional Center for AgriScience and Career Advancement building. A lease payment of \$1,624 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 \$973. This agreement commenced September 1, 2015 and continued through August 31, 2020 at which time it became renewable annually.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE M - LEASE AGREEMENTS (CONTINUED)**

Lease Agreement – Harvest Fremont

On May 20, 2016, the Newaygo County Regional Educational Service Agency ("Lessor") and the Harvest Fremont ("Lessee") entered into a new lease agreement for six office spaces at the Regional Center for AgriScience and Career Advancement building for the term of one year. A lease payment of \$4,400 per month will be payable by the first day of each month. Additional classrooms and spaces will be available for lease on a per usage rate.

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.

Lease Agreement – The Disability Network of West Michigan

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

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

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

**NOTE 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 \$3,450, which equals the interest expense and the total interest incurred for the year.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020, the most recent balance sheet presented herein, through October 14, 2020, the date these financial statements were available to be issued. There are no known significant such events or transactions identified.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Agency’s financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Agency is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2020-2021 fiscal year.

Although the Agency cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Agency’s results of future operations, financial position, and liquidity in the 2020-2021 fiscal year.

**NOTE Q - ECONOMIC DEPENDENCY**

The State of Michigan provides State Aid to the Agency. These revenues represent 31.0% 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 Cities of Fremont and White Cloud. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield exemptions are intended to promote revitalization, redevelopment, and reuse of certain property; and PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds totaled approximately \$25,000 for the year ended June 30, 2020.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

**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 units 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 2020-2021 fiscal year.

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, 2020**

|   | Budget Amounts    |                     | Actual              | Variances            |                    |
|---|-------------------|---------------------|---------------------|----------------------|--------------------|
|   | Original          | Final               |                     | Original<br>to Final | Final<br>to Actual |
|   | Original          | Final               |                     | Original<br>to Final | Final<br>to Actual |
| <b>Revenues</b>                                 |                   |                     |                     |                      |                    |
| Local Sources                                   | \$ 1,921,619      | \$ 2,025,598        | \$ 1,606,680        | \$ 103,979           | \$ (418,918)       |
| State Sources                                   | 4,242,064         | 4,834,465           | 3,915,809           | 592,401              | (918,656)          |
| Federal Sources                                 | 346,329           | 563,699             | 400,943             | 217,370              | (162,756)          |
| Interdistrict Sources                           | 107,257           | 117,757             | 30,253              | 10,500               | (87,504)           |
| <b>Total Revenues</b>                           | <b>6,617,269</b>  | <b>7,541,519</b>    | <b>5,953,685</b>    | <b>924,250</b>       | <b>(1,587,834)</b> |
| <b>Expenditures</b>                             |                   |                     |                     |                      |                    |
| Instruction                                     | 2,191,010         | 2,458,398           | 1,831,335           | (267,388)            | 627,063            |
| Support Services                                |                   |                     |                     |                      |                    |
| Pupil Services                                  | 140,733           | 421,293             | 237,793             | (280,560)            | 183,500            |
| Instructional Staff Services                    | 955,815           | 1,021,109           | 773,015             | (65,294)             | 248,094            |
| General Administration Services                 | 550,497           | 550,031             | 466,274             | 466                  | 83,757             |
| Business Services                               | 554,045           | 572,051             | 535,359             | (18,006)             | 36,692             |
| Operations & Maintenance                        | 667,896           | 846,133             | 766,402             | (178,237)            | 79,731             |
| Pupil Transportation                            | 110,779           | 109,792             | 94,201              | 987                  | 15,591             |
| Central Services                                | 546,067           | 552,437             | 457,326             | (6,370)              | 95,111             |
| Community Services                              | 1,051,500         | 1,208,204           | 859,405             | (156,704)            | 348,799            |
| Transfers to Other Entities                     | 398,510           | 410,819             | 349,539             | 12,309               | 61,280             |
| <b>Total Expenditures</b>                       | <b>7,166,852</b>  | <b>8,150,267</b>    | <b>6,370,649</b>    | <b>(983,415)</b>     | <b>1,779,618</b>   |
| Excess of Revenues<br>(Under) Over Expenditures | (549,583)         | (608,748)           | (416,964)           | (59,165)             | 191,784            |
| <b>Other Financing Sources (Uses)</b>           |                   |                     |                     |                      |                    |
| Operating Transfers In                          | 650,245           | 750,204             | 701,824             | 99,959               | (48,380)           |
| Operating Transfers Out                         | (174,375)         | (184,375)           | (183,888)           | (10,000)             | 487                |
| <b>Total Other Financing<br/>Sources (Uses)</b> | <b>475,870</b>    | <b>565,829</b>      | <b>517,936</b>      | <b>89,959</b>        | <b>(47,893)</b>    |
| <b>Net Change in Fund Balances</b>              | <b>(73,713)</b>   | <b>(42,919)</b>     | <b>100,972</b>      | <b>30,794</b>        | <b>143,891</b>     |
| <b>Fund Balances - July 1, 2019</b>             | <b>1,065,683</b>  | <b>1,065,683</b>    | <b>1,065,683</b>    | <b>-</b>             | <b>-</b>           |
| <b>Fund Balances - June 30, 2020</b>            | <b>\$ 991,970</b> | <b>\$ 1,022,764</b> | <b>\$ 1,166,655</b> | <b>\$ 30,794</b>     | <b>\$ 143,891</b>  |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|  | Budget Amounts      |                     | Actual              | Variances            |                    |
|--|---------------------|---------------------|---------------------|----------------------|--------------------|
|  | Original            | Final               |                     | Original<br>to Final | Final<br>to Actual |
|  | <b>Revenues</b>     |                     |                     |                      |                    |
| Local Sources                                  | \$ 4,852,048        | \$ 5,113,735        | \$ 5,176,692        | \$ 261,687           | \$ 62,957          |
| State Sources                                  | 2,721,065           | 2,584,650           | 2,801,741           | (136,415)            | 217,091            |
| Federal Sources                                | 2,680,642           | 2,645,849           | 2,350,379           | (34,793)             | (295,470)          |
| Interdistrict Sources                          | 48,160              | 11,340              | 7,788               | (36,820)             | (3,552)            |
| <b>Total Revenues</b>                          | <b>10,301,915</b>   | <b>10,355,574</b>   | <b>10,336,600</b>   | <b>53,659</b>        | <b>(18,974)</b>    |
| <b>Expenditures</b>                            |                     |                     |                     |                      |                    |
| Instruction                                    | 1,893,284           | 1,857,202           | 1,653,767           | 36,082               | 203,435            |
| Support Services                               |                     |                     |                     |                      |                    |
| Pupil Services                                 | 5,102,063           | 4,838,363           | 4,337,499           | 263,700              | 500,864            |
| Instructional Staff Services                   | 723,587             | 744,745             | 704,599             | (21,158)             | 40,146             |
| General Administration Services                | 62,770              | 62,770              | 14,867              | -                    | 47,903             |
| Business Services                              | 104,483             | 107,575             | 81,354              | (3,092)              | 26,221             |
| Operations & Maintenance                       | 338,207             | 330,239             | 261,740             | 7,968                | 68,499             |
| Pupil Transportation                           | 6,200               | 6,200               | 2,092               | -                    | 4,108              |
| Central Services                               | 129,243             | 129,913             | 126,990             | (670)                | 2,923              |
| Community Services                             | 15,154              | 19,953              | 18,919              | (4,799)              | 1,034              |
| Transfers to Other School Dist.                | 1,786,338           | 1,804,772           | 1,801,273           | 18,434               | 3,499              |
| <b>Total Expenditures</b>                      | <b>10,161,329</b>   | <b>9,901,732</b>    | <b>9,003,100</b>    | <b>259,597</b>       | <b>898,632</b>     |
| Excess of Revenue<br>(Under) Over Expenditures | 140,586             | 453,842             | 1,333,500           | 313,256              | 879,658            |
| <b>Other Financing Sources (Uses)</b>          |                     |                     |                     |                      |                    |
| Operating Transfers Out                        | (451,541)           | (630,939)           | (905,306)           | (179,398)            | (274,367)          |
| <b>Net Change in Fund Balances</b>             | <b>(310,955)</b>    | <b>(177,097)</b>    | <b>428,194</b>      | <b>133,858</b>       | <b>605,291</b>     |
| <b>Fund Balances - July 1, 2019</b>            | <b>2,246,603</b>    | <b>2,246,603</b>    | <b>2,246,603</b>    | <b>-</b>             | <b>-</b>           |
| <b>Fund Balances - June 30, 2020</b>           | <b>\$ 1,935,648</b> | <b>\$ 2,069,506</b> | <b>\$ 2,674,797</b> | <b>\$ 133,858</b>    | <b>\$ 605,291</b>  |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE FOR THE CAREER TECH SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

|   | Budget Amounts      |                     | Actual              | Variances<br>Positive (Negative) |                    |
|---|---------------------|---------------------|---------------------|----------------------------------|--------------------|
|   | Original            | Final               |                     | Original<br>to Final             | Final<br>to Actual |
|   | Original            | Final               |                     | to Final                         | to Actual          |
| <b>Revenues</b>                         |                     |                     |                     |                                  |                    |
| Local Sources                           | \$ 4,419,800        | \$ 4,520,469        | \$ 4,544,131        | \$ 100,669                       | \$ 23,662          |
| State Sources                           | 992,090             | 1,100,862           | 1,162,060           | 108,772                          | 61,198             |
| Federal Sources                         | 112,527             | 114,878             | 114,878             | 2,351                            | -                  |
| Interdistrict Sources                   | 85,000              | 93,750              | 93,750              | 8,750                            | -                  |
| <b>Total Revenues</b>                   | <b>5,609,417</b>    | <b>5,829,959</b>    | <b>5,914,819</b>    | <b>220,542</b>                   | <b>84,860</b>      |
| <b>Expenditures</b>                     |                     |                     |                     |                                  |                    |
| Instruction                             | 3,557,273           | 3,360,047           | 2,893,970           | 197,226                          | 466,077            |
| Support Services                        |                     |                     |                     |                                  |                    |
| Pupil Services                          | 270,567             | 238,129             | 220,826             | 32,438                           | 17,303             |
| Instructional Staff Services            | 365,810             | 409,760             | 387,974             | (43,950)                         | 21,786             |
| General Administration Services         | 15,617              | 15,617              | 5,577               | -                                | 10,040             |
| School Administration Services          | 289,289             | 236,109             | 203,701             | 53,180                           | 32,408             |
| Business Services                       | 92,162              | 99,430              | 61,584              | (7,268)                          | 37,846             |
| Operations & Maintenance                | 672,477             | 703,684             | 537,398             | (31,207)                         | 166,286            |
| Pupil Transportation                    | 24,650              | 25,350              | 6,056               | (700)                            | 19,294             |
| Central Services                        | 241,234             | 251,947             | 246,869             | (10,713)                         | 5,078              |
| Other Support Services                  | 105,534             | 94,957              | 46,900              | 10,577                           | 48,057             |
| Community Services                      | 43,645              | 46,964              | 4,259               | (3,319)                          | 42,705             |
| Facilities Acquisition                  | 7,500               | 7,500               | -                   | -                                | 7,500              |
| <b>Total Expenditures</b>               | <b>5,685,758</b>    | <b>5,489,494</b>    | <b>4,615,114</b>    | <b>196,264</b>                   | <b>874,380</b>     |
| Excess of Revenues<br>Over Expenditures | (76,341)            | 340,465             | 1,299,705           | 416,806                          | 959,240            |
| <b>Other Financing Sources (Uses)</b>   |                     |                     |                     |                                  |                    |
| Operating Transfers Out                 | (798,704)           | (1,069,265)         | (1,046,518)         | (270,561)                        | 22,747             |
| <b>Net Change in Fund Balances</b>      | <b>(875,045)</b>    | <b>(728,800)</b>    | <b>253,187</b>      | <b>146,245</b>                   | <b>981,987</b>     |
| <b>Fund Balances - July 1, 2019</b>     | <b>2,409,689</b>    | <b>2,409,689</b>    | <b>2,409,689</b>    | <b>-</b>                         | <b>-</b>           |
| <b>Fund Balances - June 30, 2020</b>    | <b>\$ 1,534,644</b> | <b>\$ 1,680,889</b> | <b>\$ 2,662,876</b> | <b>\$ 146,245</b>                | <b>\$ 981,987</b>  |

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

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

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

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2019.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2019.

**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                                |      |      |      |      | \$ 1,623,463 | \$ 1,531,921 | \$ 1,497,138 | \$ 1,562,616 | \$ 1,676,489 | \$ 1,824,855 |
| B. Contributions in relation to statutorily required contributions * |      |      |      |      | 1,623,463    | 1,531,921    | 1,497,138    | 1,562,616    | 1,676,489    | 1,824,855    |
| C. Contribution deficiency (excess)                                  |      |      |      |      | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| D. Agency's covered-employee payroll                                 |      |      |      |      | \$ 8,824,410 | \$ 8,811,809 | \$ 8,677,355 | \$ 8,972,498 | \$ 8,492,496 | \$ 8,385,350 |
| E. Contributions as a percentage of covered-employee payroll         |      |      |      |      | 18.40%       | 17.39%       | 17.25%       | 17.42%       | 19.74%       | 21.76%       |

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

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

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2019.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2019.

**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 (%)  |      |      |      |      |      |      |      | 0.10081%     | 0.10275%     | 0.10217%     |
| B. Agency's proportionate share of net OPEB liability   |      |      |      |      |      |      |      | \$ 7,235,838 | \$ 8,167,836 | \$ 9,047,996 |
| C. Agency's covered-employee payroll (OPEB)   |      |      |      |      |      |      |      | \$ 8,830,624 | \$ 8,756,126 | \$ 8,582,004 |
| D. Agency's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%) |      |      |      |      |      |      |      | 81.94%       | 93.28%       | 105.43%      |
| E. Plan fiduciary net position as a percentage of total OPEB liability                                    |      |      |      |      |      |      |      | 48.46%       | 42.95%       | 36.39%       |

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

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2019.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2019.

**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                                |      |      |      |      |      |      |      | \$ 700,680   | \$ 681,687   | \$ 611,284   |
| B. Contributions in relation to statutorily required contributions * |      |      |      |      |      |      |      | 700,680      | 681,687      | 611,284      |
| C. Contribution deficiency (excess)                                  |      |      |      |      |      |      |      | \$ -         | \$ -         | \$ -         |
| D. Agency's covered-employee payroll                                 |      |      |      |      |      |      |      | \$ 8,824,410 | \$ 8,811,809 | \$ 8,677,355 |
| E. Contributions as a percentage of covered-employee payroll         |      |      |      |      |      |      |      | 7.94%        | 7.74%        | 7.04%        |

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

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

Notes to the Required Supplementary Information

- Changes of benefit terms:** There were no changes of benefit terms in FY 2019.
- Changes of assumptions:** There were no changes of benefit assumptions in FY 2019.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020**

|                                      | Food<br>Service | Debt<br>Service | Total<br>Non-Major<br>Governmental<br>Funds |
|--------------------------------------|-----------------|-----------------|---|
| <b>Assets</b>                        |                 |                 |   |
| Cash/Investments                     | \$ 4,372        | \$ 22           | \$ 4,394                                    |
| Due from Other Governmental Units    | 185             | -               | 185   |
| Prepaid Expenses                     | 22              | -               | 22  |
| Cash-Restricted                      | 117             |                 | 117   |
| Total Assets                         | \$ 4,696        | \$ 22           | \$ 4,718                                    |
| <b>Liabilities and Fund Balances</b> |                 |                 |   |
| Liabilities                          |                 |                 |   |
| Fringe Benefits Payable              | \$ 275          | \$ -            | \$ 275                                      |
| Fund Balances                        |                 |                 |   |
| Nonspendable Prepaid Expenses        | 22              | -               | 22  |
| Restricted for Debt Service          | -               | 22              | 22  |
| Restricted for Food Service          | 4,399           | -               | 4,399                                       |
| Total Fund Balances                  | 4,421           | 22              | 4,443                                       |
| Total Liabilities and Fund Balances  | \$ 4,696        | \$ 22           | \$ 4,718                                    |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

|  | Food<br>Service | Debt<br>Service | Total<br>Non-Major<br>Governmental<br>Funds |
|--|-----------------|-----------------|---|
| <b>Revenues</b>  |                 |                 |   |
| Local Sources  | \$ 22           | \$ -            | \$ 22                                       |
| State Sources  | 1,448           | -               | 1,448                                       |
| Federal Sources  | 79,799          | -               | 79,799                                      |
| <b>Total Revenues</b>  | <b>81,269</b>   | <b>-</b>        | <b>81,269</b>                               |
| <b>Expenditures</b>  |                 |                 |   |
| Support Services:  |                 |                 |   |
| Business Services  | 628             | -               | 628   |
| Central Services   | 430             | -               | 430   |
| Food Services  | 81,474          | -               | 81,474                                      |
| Debt Service   |                 |                 |   |
| Principal Repayment  | -               | 140,000         | 140,000                                     |
| Interest And Other Charges                                   | -               | 18,875          | 18,875                                      |
| <b>Total Expenditures</b>                                    | <b>82,532</b>   | <b>158,875</b>  | <b>241,407</b>                              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (1,263)         | (158,875)       | (160,138)                                   |
| <b>Other Financing Sources (Uses)</b>                        |                 |                 |   |
| Operating Transfers In                                       | -               | 158,888         | 158,888                                     |
| <b>Net Change in Fund Balances</b>                           | <b>(1,263)</b>  | <b>13</b>       | <b>(1,250)</b>                              |
| <b>Fund Balances - July 1, 2019</b>                          | <b>5,684</b>    | <b>9</b>        | <b>5,693</b>                                |
| <b>Fund Balances - June 30, 2020</b>                         | <b>\$ 4,421</b> | <b>\$ 22</b>    | <b>\$ 4,443</b>                             |



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of NC RESA, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise NC RESA's basic financial statements, and have issued our report thereon dated October 14, 2020.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*H & S Companies, P.C.*

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

October 14, 2020



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

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

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

We have audited NC RESA's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NC RESA's major federal programs for the year ended June 30, 2020. 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, 2020.



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

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

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

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

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

*H & S Companies, P.C.*

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

October 14, 2020

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

| Program Title/Project Number/<br>Subrecipient Name             | Grant or<br>Project<br>Number | Federal<br>CFDA<br>Number | Approved<br>Grant Award<br>Amount | Accrued<br>(Unearned)<br>Revenue<br>July 1, 2019 | (Memo Only)<br>Prior Year<br>Expenditures | Current<br>Year<br>Expenditures | Current<br>Year<br>Cash Receipts | Accrued<br>(Deferred)<br>Revenue<br>6/30/2020 | Current Year<br>Cash<br>Transferred to<br>a Subrecipient |
|--|-------------------------------|---------------------------|-----------------------------------|--|---|---------------------------------|----------------------------------|---|--|
| <b><u>U.S. Department of Agriculture</u></b>                   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Passed through Michigan Department of Agriculture              |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Child & Adult Center Food Program                              | 191920                        | 10.558                    | \$ 132,968                        | \$ -   | \$ 73,114                                 | \$ 6,543                        | \$ 6,543                         | \$ -  | \$ -   |
| Child & Adult Center Food Program                              | 201920                        | 10.558                    | 68,850                            | -  | -   | 68,850                          | 68,850                           | -   | -  |
| CACFP-Cash-In-Lieu-Of Commodities                              | 192010                        | 10.558                    | 10,292                            | -  | 4,960                                     | 516                             | 516                              | -   | -  |
| CACFP-Cash-In-Lieu-Of Commodities                              | 202010                        | 10.558                    | 3,890                             | -  | -   | 3,890                           | 3,890                            | -   | -  |
| <b>Total U.S. Department of Agriculture</b>                    |                               |                           | <b>\$ 216,000</b>                 | <b>\$ -</b>                                      | <b>\$ 78,074</b>                          | <b>\$ 79,799</b>                | <b>\$ 79,799</b>                 | <b>\$ -</b>                                   | <b>\$ -</b>  |
| <b><u>U.S. Department of Education</u></b>                     |                               |                           |                                   |  |   |                                 |                                  |   |  |
| <u>Special Education Cluster -</u>                             |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Passed through the Michigan Department of Education:           |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Special Education - Grants to States                           |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Individuals with Disabilities Education Act (IDEA)-Flowthrough |                               |                           |                                   |  |   |                                 |                                  |   |  |
| IDEA Flowthrough 18/19/H027A180110                             | 190450                        | 84.027A                   | 2,113,220                         | 303,442  | 1,911,887                                 | 201,333                         | 439,345                          | 65,430  | 172,451  |
| IDEA Flowthrough 19/20/H027A190110-19A                         | 200450                        | 84.027A                   | 2,117,517                         | -  | -   | 1,822,465                       | 1,197,627                        | 624,838                                       | 898,905  |
| Individuals with Disabilities Education Act (IDEA)-Supervision |                               |                           |                                   |  |   |                                 |                                  |   |  |
| General Supervision 19/20/H027A190110-19A                      | 200493                        | 84.027A                   | 110,000                           | -  | 110,000                                   | 110,000                         | 86,643                           | 23,357  | -  |
| Total IDEA Flowthrough   |                               |                           | 4,340,737                         | 303,442  | 2,021,887                                 | 2,133,798                       | 1,723,615                        | 713,625                                       | 1,071,356  |
| Individuals with Disabilities Education Act (IDEA)-Preschool   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Preschool 19/20/H173A190117                                    | 200460                        | 84.173A                   | 101,108                           | -  | -   | 101,108                         | 100,625                          | 483   | -  |
| Total Special Education Cluster                                |                               |                           | 4,441,845                         | 303,442  | 2,021,887                                 | 2,234,906                       | 1,824,240                        | 714,108                                       | 1,071,356  |
| Direct Funding   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Small, Rural School Achievement                                | S358A184120                   | 84.358A                   | 28,001                            | 15,150   | 28,001                                    | -                               | 15,150                           | -   | -  |
| Small, Rural School Achievement                                | S358A194065                   | 84.358A                   | 32,655                            | -  | -   | 26,431                          | 18,627                           | 7,804   | -  |
| Total Direct Funding - U.S. Department of Education            |                               |                           | 60,656                            | 15,150   | 28,001                                    | 26,431                          | 33,777                           | 7,804   | -  |
| Other Federal Awards:  |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Passed through the Michigan Department of Education:           |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Education for Homeless Children & Youth 18/19                  | 192320                        | 84.196A                   | 104,078                           | 1,791  | 40,481                                    | 11,612                          | 13,403                           | -   | -  |
| Education for Homeless Children & Youth 19/20                  | 202320                        | 84.196A                   | 62,462                            | -  | -   | 53,248                          | 34,445                           | 18,803  | -  |
| Total Education for Homeless Children & Youth                  |                               |                           | 166,540                           | 1,791  | 40,481                                    | 64,860                          | 47,848                           | 18,803  | -  |

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

| Program Title/Project Number/<br>Subrecipient Name                               | Grant or<br>Project<br>Number | Federal<br>CFDA<br>Number | Approved<br>Grant Award<br>Amount | Accrued<br>(Unearned)<br>Revenue<br>July 1, 2019 | (Memo Only)<br>Prior Year<br>Expenditures | Current<br>Year<br>Expenditures | Current<br>Year<br>Cash Receipts | Accrued<br>(Deferred)<br>Revenue<br>6/30/2020 | Current Year<br>Cash<br>Transferred to<br>a Subrecipient |
|--|-------------------------------|---------------------------|-----------------------------------|--|---|---------------------------------|----------------------------------|---|--|
| <b>Special Education-Grants for Infants and Families with Disabilities</b>       |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Early On-Infant & Toddler 18/19/H181A180012                                      | 191340                        | 84.181                    | 82,545                            | 9,665  | 76,402                                    | -                               | 9,665                            | -   | -  |
| Early On-Infant & Toddler 19/20/H181A190012                                      | 201340                        | 84.181                    | 85,891                            | -  | -   | 79,152                          | 62,515                           | 16,637  | -  |
| Total Infant & Toddler   |                               |                           | <u>168,436</u>                    | <u>9,665</u>                                     | <u>76,402</u>                             | <u>79,152</u>                   | <u>72,180</u>                    | <u>16,637</u>                                 | <u>-</u>   |
| Total noncluster programs passed through<br>the Michigan Department of Education |                               |                           | 334,976                           | 11,456   | 116,883                                   | 144,012                         | 120,028                          | 35,440  | -  |
| Passed through Calhoun ISD:  |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Title IID  |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Data for Student Success   | 094260                        | 84.318                    | 8,000                             | (2,257)  | 5,743                                     | 2,257                           | -                                | -   | -  |
| Total noncluster programs passed through<br>Calhoun ISD                          |                               |                           | 8,000                             | (2,257)  | 5,743                                     | 2,257                           | -                                | -   | -  |
| Passed through MOISD:  |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Secondary CTE Perkins Grant  | 203520-20127                  | 84.048A                   | 114,878                           | -  | -   | 114,878                         | 114,878                          | -   | -  |
| Total noncluster programs passed through<br>MOISD                                |                               |                           | 114,878                           | -  | -   | 114,878                         | 114,878                          | -   | -  |
| <b>Total U.S. Department of Education</b>  |                               |                           | <u>\$ 4,960,355</u>               | <u>\$ 327,791</u>                                | <u>\$ 2,172,514</u>                       | <u>\$ 2,522,484</u>             | <u>\$ 2,092,923</u>              | <u>\$ 757,352</u>                             | <u>\$ 1,071,356</u>                                      |
| <b><u>U.S. Department of Health &amp; Human Services</u></b>                     |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Direct Funding -   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Drug Free Communities 17/18  | 1H79SP020369-01               | 93.276                    | 125,000                           | -  | 115,268                                   | 9,732                           | 9,732                            | -   | -  |
| Drug Free Communities 18/19  | 1H79SP020369-01               | 93.276                    | 125,000                           | 26,570   | 76,246                                    | 48,702                          | 75,272                           | -   | -  |
| Drug Free Communities 19/20  | 1H79SP020369-01               | 93.276                    | 125,000                           | -  | -   | 54,452                          | 87,685                           | (33,233)                                      | -  |
| Total Drug Free Communities  |                               |                           | <u>375,000</u>                    | <u>26,570</u>                                    | <u>191,514</u>                            | <u>112,886</u>                  | <u>172,689</u>                   | <u>(33,233)</u>                               | <u>-</u>   |
| Direct Funding -   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| CARA Local Drug Crises FY18  | 1H79SP080401-01               | 93.799                    | 50,000                            | 32,476   | 45,000                                    | 5,000                           | 37,476                           | -   | -  |
| CARA Local Drug Crises FY19  | 1H79SP080401-01               | 93.799                    | 50,000                            | -  | -   | 45,086                          | 45,000                           | 86  | -  |
| Total Drug Free Communities  |                               |                           | <u>100,000</u>                    | <u>32,476</u>                                    | <u>45,000</u>                             | <u>50,086</u>                   | <u>82,476</u>                    | <u>86</u>                                     | <u>-</u>   |
| Total Direct Funding - U.S. Department of Health &<br>Human Services             |                               |                           | 475,000                           | 59,046   | 236,514                                   | 162,972                         | 255,165                          | (33,147)                                      | -  |

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

| Program Title/Project Number/<br>Subrecipient Name   | Grant or<br>Project<br>Number | Federal<br>CFDA<br>Number | Approved<br>Grant Award<br>Amount | Accrued<br>(Unearned)<br>Revenue<br>July 1, 2019 | (Memo Only)<br>Prior Year<br>Expenditures | Current<br>Year<br>Expenditures | Current<br>Year<br>Cash Receipts | Accrued<br>(Deferred)<br>Revenue<br>6/30/2020 | Current Year<br>Cash<br>Transferred to<br>a Subrecipient |
|--|-------------------------------|---------------------------|-----------------------------------|--|---|---------------------------------|----------------------------------|---|--|
| <b>Other Federal Awards:</b>   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| <b>Passed through Michigan Department of Education</b>   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Preschool Development Grant Birth through Five (PDG B-5)   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Trusted Advisor Grant  |                               | 93.434                    | 30,000                            | -  | -   | 30,000                          | 30,000                           | -   | -  |
| Child Development and Care Block Grant (CARES)   |                               |                           |                                   |  |   |                                 |                                  |   |  |
| CARES - Child Care Relief  |                               | 93.575                    | 32,400                            | -  | -   | 32,400                          | -                                | 32,400  | -  |
| CARES - Child Care Relief (Disaster Relief)  |                               | 93.575                    | 18,135                            | -  | -   | 18,135                          | -                                | 18,135  | -  |
| <b>Total noncluster programs passed through Michigan Department of Education</b>                   |                               |                           | 80,535                            | -  | -   | 80,535                          | 30,000                           | 50,535  | -  |
| <b>Passed through Mid State Health Network:</b>  |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Block Grant  |                               |                           |                                   |  |   |                                 |                                  |   |  |
| 18/19  | 7040                          | 93.959                    | 90,000                            | 11,145   | 71,878                                    | 18,122                          | 29,267                           | -   | -  |
| 19/20  | 7040                          | 93.959                    | 90,000                            | -  | -   | 45,298                          | 42,361                           | 2,937   | -  |
| Total Block Grant  |                               |                           | 180,000                           | 11,145   | 71,878                                    | 63,420                          | 71,628                           | 2,937   | -  |
| State Opioid Response (SOR) Grant  |                               |                           |                                   |  |   |                                 |                                  |   |  |
| 19/20  | N/A                           | 93.788                    | 7,500                             | -  | -   | 467                             | -                                | 467   | -  |
| Total SOR Grant  |                               |                           | 7,500                             | -  | -   | 467                             | -                                | 467   | -  |
| <b>Total noncluster programs passed through Mid State Health Network</b>                           |                               |                           | 187,500                           | 11,145   | 71,878                                    | 63,887                          | 71,628                           | 3,404   | -  |
| <b>Passed through Department of Community Health - State of Michigan:</b>                          |                               |                           |                                   |  |   |                                 |                                  |   |  |
| Medicaid Outreach Program  |                               |                           |                                   |  |   |                                 |                                  |   |  |
|  | N/A                           | 93.778                    | 36,322                            | 18,925   | -   | 36,322                          | 46,247                           | 9,000   | -  |
| <b>Total noncluster programs passed through Department of Community Health - State of Michigan</b> |                               |                           | 36,322                            | 18,925   | -   | 36,322                          | 46,247                           | 9,000   | -  |
| <b>Total U.S. Department of Health &amp; Human Services</b>  |                               |                           | \$ 779,357                        | \$ 89,116  | \$ 308,392                                | \$ 343,716                      | \$ 403,040                       | \$ 29,792                                     | \$ -   |
| <b>Total Federal Awards</b>  |                               |                           | <b>\$ 5,955,712</b>               | <b>\$ 416,907</b>                                | <b>\$ 2,558,980</b>                       | <b>\$ 2,945,999</b>             | <b>\$ 2,575,762</b>              | <b>\$ 787,144</b>                             | <b>\$ 1,071,356</b>                                      |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY  
SCHEDULE OF FEDERAL ASSISTANCE PROVIDED TO SUBRECIPIENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

| Recipient                            | Federal<br>CFDA<br>Number | Subrecipient<br>Award | Due to (from)<br>Subrecipient<br>July 1, 2019 | (Memo Only)<br>Prior Year<br>Expenditures | Current Year<br>Federal<br>Expenditures | Current Year<br>Cash<br>Transferred | Due to (from)<br>Subrecipient<br>June 30, 2020 |
|--------------------------------------|---------------------------|-----------------------|---|---|---|-------------------------------------|--|
| Special Education Cluster            |                           |                       |   |   |   |                                     |  |
| Fremont Public Schools               |                           |                       |   |   |   |                                     |  |
| Special Education - Grants to States |                           |                       |   |   |   |                                     |  |
| IDEA Flowthrough 200450/1920         | 84.027A                   | \$ 283,997            | \$ -  | \$ -                                      | \$ 283,997                              | \$ 270,488                          | \$ 13,509                                      |
| IDEA Flowthrough 190450/1819         | 84.027A                   | 280,958               | 42,221  | 280,958                                   | -                                       | 42,221                              | -  |
| Total Fremont Public Schools         |                           | 564,955               | 42,221  | 280,958                                   | 283,997                                 | 312,709                             | 13,509   |
| Grant Public Schools                 |                           |                       |   |   |   |                                     |  |
| Special Education - Grants to States |                           |                       |   |   |   |                                     |  |
| IDEA Flowthrough 200450/1920         | 84.027A                   | 247,835               | -   | -   | 247,835                                 | 198,414                             | 49,421   |
| IDEA Flowthrough 190450/1819         | 84.027A                   | 255,469               | 60,143  | 255,469                                   | -                                       | 60,143                              | -  |
| Total Grant Public Schools           |                           | 503,304               | 60,143  | 255,469                                   | 247,835                                 | 258,557                             | 49,421   |
| Hesperia Community Schools           |                           |                       |   |   |   |                                     |  |
| Special Education - Grants to States |                           |                       |   |   |   |                                     |  |
| IDEA Flowthrough 200450/1920         | 84.027A                   | 139,873               | -   | -   | 139,873                                 | 117,699                             | 22,174   |
| IDEA Flowthrough 190450/1819         | 84.027A                   | 142,356               | 24,650  | 142,356                                   | -                                       | 24,650                              | -  |
| Total Hesperia Community Schools     |                           | 282,229               | 24,650  | 142,356                                   | 139,873                                 | 142,349                             | 22,174   |
| Newaygo Public Schools               |                           |                       |   |   |   |                                     |  |
| Special Education - Grants to States |                           |                       |   |   |   |                                     |  |
| IDEA Flowthrough 200450/1920         | 84.027A                   | 230,952               | -   | -   | 230,952                                 | 194,487                             | 36,465   |
| IDEA Flowthrough 190450/1819         | 84.027A                   | 226,682               | 45,437  | 226,862                                   | -                                       | 45,437                              | -  |
| Total Newaygo Public Schools         |                           | 457,634               | 45,437  | 226,862                                   | 230,952                                 | 239,924                             | 36,465   |
| White Cloud Public Schools           |                           |                       |   |   |   |                                     |  |
| Special Education - Grants to States |                           |                       |   |   |   |                                     |  |
| IDEA Flowthrough 200450/1920         | 84.027A                   | 152,115               | -   | -   | 152,115                                 | 117,817                             | 34,298   |
| IDEA Flowthrough 190450/1819         | 84.027A                   | 148,908               | -   | -   | -                                       | -                                   | -  |
| Total White Cloud Public Schools     |                           | 301,023               | -   | -   | 152,115                                 | 117,817                             | 34,298   |
| Total Special Education Cluster      |                           | 2,109,145             | 172,451                                       | 905,645                                   | 1,054,772                               | 1,071,356                           | 155,867  |
| Total Subrecipients                  |                           | \$ 2,109,145          | \$ 172,451                                    | \$ 905,645                                | \$ 1,054,772                            | \$ 1,071,356                        | \$ 155,867                                     |

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

(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, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of NC RESA, it is not intended to and does not present the financial position or changes in net position, or cash flows of NC RESA.

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

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

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

|   |    |           |
|---|----|-----------|
| Current cash payments per Cash Management System (CMS)                            | \$ | 2,090,826 |
| Remove items on CMS Report, not Federal   |    |           |
| Funds received through Michigan Department of Education                           |    |           |
| Early on - Pilot Services   |    | (36,759)  |
| Add items not on CMS Report   |    |           |
| Funds received through U.S. Department of Education                               |    |           |
| Small, Rural School Achievement   |    | 33,777    |
| Funds received through Mecosta Osceola Intermediate School District               |    |           |
| Carl Perkins  |    | 114,878   |
| Funds received through U.S. Department of Health & Human Services                 |    |           |
| Drug Free Communities   |    | 172,689   |
| CARA  |    | 82,476    |
| Funds received through Mid State Health Network                                   |    |           |
| Block Grant   |    | 71,628    |
| Funds received through Department of Community Health, Michigan                   |    |           |
| Medicaid Outreach Program   |    | 46,247    |
|   |    | 46,247    |
| Current year receipts (cash basis) per Schedule of Expenditures of Federal Awards | \$ | 2,575,762 |

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

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

|  |    |           |
|--|----|-----------|
| Revenues from Governmental Funds - Statement of Revenues, Expenditures and Change in Fund Balances | \$ | 2,945,999 |
|  |    | 2,945,999 |
| Federal Expenditures per Schedule of Expenditures of Federal Awards                                | \$ | 2,945,999 |

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2020

**Findings**

*No Findings*

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

### 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*