

Newaygo County  
Regional  
Educational Service  
Agency



Year Ended  
June 30, 2024

Financial  
Statements

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# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

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## INDEPENDENT AUDITORS' REPORT

October 11, 2024

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Newaygo County Regional Educational Service Agency** (the "RESA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the RESA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the RESA, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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



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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the RESA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RESA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RESA's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparisons for the general fund and each major special revenue fund, and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RESA's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 fund financial statements 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 under separate cover dated October 11, 2024, on our consideration of the 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 the 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 the RESA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The script is cursive and fluid, with the letters "L" and "L" in "Lehmann" and "Lobson" being particularly prominent.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Management's Discussion and Analysis

As management of the Newaygo County Regional Educational Agency (the "RESA"), we offer readers of the RESA's financial statements this narrative overview and analysis of the financial activities of the RESA for the fiscal year ended June 30, 2024. The management's discussion and analysis is provided at the beginning of the audit to provide an overview of the past and current position of the RESA's financial condition. This summary should not be taken as a replacement for the complete set of audited financial statements and other supplemental information that presents in greater detail the RESA's revenues and expenditures by program and fund.

### Financial Highlights

- The RESA's net position increased by \$6,435,127 from \$2,967,215 to \$9,402,342.
- The RESA's net position of governmental activities increased \$6,213,512 from \$161,583 to \$6,375,095.
- The RESA's net position of business-type activities increased \$221,615 from \$2,805,632 to \$3,027,247.
- The RESA's governmental funds had ending fund balance of \$21,054,539, with the General Fund having an unassigned fund balance of \$1,936,899.
- The RESA's governmental funds had revenues during the year of \$33,074,153, expenditures of \$31,095,359, and total other financing sources (uses) of \$10,677, resulting in an increase to fund balance for the year of \$1,968,117.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the RESA's basic financial statements which 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.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the RESA's finances, in a manner similar to a private-sector business. They provide a clear picture of the RESA as a single, unified entity, and complement rather than replace traditional fund-based financial statements.

The statement of net position presents information on all of the RESA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual balance reported as net position. Net position should be understood as a measure of "net worth" rather than as a measure of expendable, available resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the RESA is improving or deteriorating.

The statement of activities presents information showing how the RESA'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., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the RESA that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the RESA include instruction, supporting services, community services, food service and payments to other entities. The business-type activities include technology services during the year.

**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 RESA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the RESA can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

**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 and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance). Such information may be useful in evaluating a RESA's short-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 government'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.

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

**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.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MPSERS pension and other postemployment benefit plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the above required supplementary information.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the RESA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,402,342 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 28,572,358	\$ 25,998,296	\$ 4,428,144	\$ 4,392,132	\$ 33,000,502	\$ 30,390,428
Capital assets, net	13,551,678	11,945,130	1,903,412	1,585,402	15,455,090	13,530,532
<b>Total assets</b>	<b>42,124,036</b>	<b>37,943,426</b>	<b>6,331,556</b>	<b>5,977,534</b>	<b>48,455,592</b>	<b>43,920,960</b>
<b>Deferred outflows of resources</b>	<b>15,172,742</b>	<b>14,696,859</b>	<b>1,444,791</b>	<b>1,254,195</b>	<b>16,617,533</b>	<b>15,951,054</b>
Long-term liabilities	33,639,684	39,127,541	3,479,204	3,537,054	37,118,888	42,664,595
Other liabilities	6,917,667	6,830,424	282,974	322,372	7,200,641	7,152,796
<b>Total liabilities</b>	<b>40,557,351</b>	<b>45,957,965</b>	<b>3,762,178</b>	<b>3,859,426</b>	<b>44,319,529</b>	<b>49,817,391</b>
<b>Deferred inflows of resources</b>	<b>10,364,332</b>	<b>6,520,737</b>	<b>986,922</b>	<b>566,671</b>	<b>11,351,254</b>	<b>7,087,408</b>
Net position:						
Net investment in capital assets	13,527,889	11,725,327	1,654,503	1,234,923	15,182,392	12,960,250
Restricted	17,954,354	15,727,917	57,527	-	18,011,881	15,727,917
Unrestricted (deficit)	(25,107,148)	(27,291,661)	1,315,217	1,570,709	(23,791,931)	(25,720,952)
<b>Total net position</b>	<b>\$ 6,375,095</b>	<b>\$ 161,583</b>	<b>\$ 3,027,247</b>	<b>\$ 2,805,632</b>	<b>\$ 9,402,342</b>	<b>\$ 2,967,215</b>

A large portion of the RESA'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 RESA uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the RESA'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.

An additional portion of the RESA's net position of \$18,011,881 represents resources that are subject to external restrictions on how they may be used. The RESA had an unrestricted net position deficit of \$23,791,931.

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

- Deferred inflows of resources for pension and OPEB reporting increased by over \$4.2 million while deferred outflows of resources for pension and OPEB reporting increased by approximately \$660,000 netting to a reduction in net position of \$3.6 million.
- Pension and OPEB liabilities decreased by \$5.8 million which also decreased net position as of June 30, 2024.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,657,075	\$ 1,457,390	\$ 3,921,348	\$ 3,763,236	\$ 5,578,423	\$ 5,220,626
Operating grants and contributions	18,813,552	17,422,002	-	-	18,813,552	17,422,002
General revenues:						
Property taxes	10,936,670	10,145,272	-	-	10,936,670	10,145,272
Unrestricted state aid	816,137	827,949	-	-	816,137	827,949
Unrestricted investment income	551,718	308,003	132,955	95,470	684,673	403,473
Other general revenue	300,035	396,328	-	-	300,035	396,328
<b>Total revenues</b>	<b>33,075,187</b>	<b>30,556,944</b>	<b>4,054,303</b>	<b>3,858,706</b>	<b>37,129,490</b>	<b>34,415,650</b>
<b>Expenses</b>						
Instruction	7,463,997	7,365,479	-	-	7,463,997	7,365,479
Supporting services	15,533,186	14,462,468	-	-	15,533,186	14,462,468
Community services	1,083,608	1,524,822	-	-	1,083,608	1,524,822
Food services	176,465	158,666	-	-	176,465	158,666
Facilities acquisitions	-	2,719,538	-	-	-	2,719,538
Payments to other governments	2,313,198	2,244,931	-	-	2,313,198	2,244,931
Interest on long-term debt	7,242	15,512	-	-	7,242	15,512
Technology services	-	-	4,116,667	3,357,898	4,116,667	3,357,898
<b>Total expenses</b>	<b>26,577,696</b>	<b>28,491,416</b>	<b>4,116,667</b>	<b>3,357,898</b>	<b>30,694,363</b>	<b>31,849,314</b>
Change in net position, before transfers	6,497,491	2,065,528	(62,364)	500,808	6,435,127	2,566,336
Transfers	(283,979)	-	283,979	-	-	-
<b>Change in net position</b>	<b>6,213,512</b>	<b>2,065,528</b>	<b>221,615</b>	<b>500,808</b>	<b>6,435,127</b>	<b>2,566,336</b>
Net position - Beginning of year	161,583	(1,903,945)	2,805,632	2,304,824	2,967,215	400,879
<b>End of year</b>	<b>\$ 6,375,095</b>	<b>\$ 161,583</b>	<b>\$ 3,027,247</b>	<b>\$ 2,805,632</b>	<b>\$ 9,402,342</b>	<b>\$ 2,967,215</b>

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

Changes in Net Position. The RESA's total revenues for the fiscal year ended June 30, 2024, were \$37,129,490 compared with \$34,415,650 for June 30, 2023. The total cost of all programs and services was \$30,694,363 for 2023-2024 and \$31,849,314 for 2022-2023. The above table presents a summary of the changes in net position for the fiscal years ended June 30, 2024 and 2023.

Governmental and Business-Type Activities. As reported in the statement of activities, the cost of all of our governmental and business-type activities this year was \$30,694,363 (\$31,849,314 for 2023). However, the amount that our taxpayers ultimately financed for these activities through RESA taxes was only \$10,936,670 (\$10,145,272 for 2023) because some of the cost was paid by those who benefited from the programs \$5,578,423 (\$5,220,626 for 2023) and by other governments and organizations who subsidized certain programs with grants and contributions \$18,813,552 (\$17,422,002 for 2023).

The following table presents the cost of the seven major RESA functional activities. 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 RESA's taxpayers by each of these functions.

	Total Expenses		Net (Expenses) Revenues	
	2024	2023	2024	2023
Instruction	\$ 7,463,997	\$ 7,365,479	\$ 3,377,526	\$ 1,968,272
Support services	15,533,186	14,462,468	(6,955,377)	(8,612,109)
Community services	1,083,608	1,524,822	(196,678)	534,176
Food services	176,465	158,666	(12,100)	2,987
Facilities acquisition	-	2,719,538	-	(296,045)
Payments to other governments	2,313,198	2,244,931	(2,313,198)	(2,244,931)
Interest on long-term debt	7,242	15,512	(7,242)	(15,512)
	<u>\$ 26,577,696</u>	<u>\$ 28,491,416</u>	<u>\$ (6,107,069)</u>	<u>\$ (8,663,162)</u>

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

- Instruction revenue increased approximately \$1,409,000 due to changes in the State Aid for Special Education and Medicaid Funding. This resulted in an increase in net (expenses) revenues from 2023.
- Support services total expenses increased from prior year by \$1 million due to the changes in the deferred inflows of resources, deferred outflows of resources and liabilities for Pension and OPEB.
- Community services total expenses and net (expenses) revenues decreased \$441,000 due to reduction of COVID-19 stabilization funding.
- Facilities acquisition total expenses decreased from 2023 due to no expenses included in that category during 2024 in the government-wide financial statements and a large disposal of capital assets in the prior year.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

#### Financial Analysis of the RESA's Funds

##### *Governmental Funds*

The General Fund had total revenues of \$10,400,011, total expenditures of \$10,493,495, and \$334,495 of other financing sources (transfers in) over other financing uses (transfers out) resulting in an ending fund balance of \$2,045,748. This is an increase of \$241,041 from the prior year ending fund balance. General Fund revenues and expenditures increased from prior year by about \$700,000 mostly due to more Great Start Readiness Program (GSRP), 31n Mental Health and 35a(4) Early Literacy Coach grant funds received and used. Other financing sources (transfers in) over other financing uses (transfers out) were less than prior year due to an increase in transfers to Capital Projects Fund in anticipation of the balance of the HVAC project at the Education Service Center.

The Special Education Fund had total revenues of \$14,859,007, total expenditures of \$12,237,556, and \$(2,221,604) of other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$4,901,381. This is an increase of \$399,847 in fund balance from the previous year. The Special Education Fund revenues increased approximately \$1.5 million from last year due to changes in State Aid and Medicaid funding while expenditures increased approximately \$1.2 million due to increases in staff costs including additional staffing. Other financing sources (transfer in) over other financing uses (transfers out) resulted in more reduction in the Special Education fund balance by about \$800,000 more than the prior year due to increases in transfers to Capital Projects Fund in anticipation of future building projects.

The Career Technical Education Fund had total revenues of \$7,441,532, total expenditures of \$5,705,400, and \$(1,432,062) other financing uses (transfers out) over other financing sources (transfers in) resulting in an ending fund balance of \$3,917,824. This is an increase of \$304,070 in fund balance from the previous year. The Career Technical Education Fund revenues increased by approximately \$300,000 due to changes in State Aid for funding MPSERS UAAL expenses while expenditures decreased by approximately \$450,000 due to fewer dollars spent on wages, benefits, supplies and capital outlay than last year. Other financing sources (transfers in) over other financing uses (transfers out) resulted in more reduction in the Career Technical Education fund balance by about \$736,000 than the prior year due to increases in transfers to Capital Projects Fund in anticipation of the balance of the HVAC project at the Career Technical Building.

The Capital Projects Fund had total revenues of \$209,122, total expenditures of \$2,318,148, and \$3,313,716 other financing uses (transfers in) over other financing sources (transfers out) resulting in an ending fund balance of \$10,181,557. This is an increase of \$1,204,690 in fund balance from the previous year. Capital Projects Fund had a significant increase in other financing sources (transfers in) over other financing uses (transfers out) due to an increase in the amount other funds transferred to cover anticipated future capital projects and the HVAC projects for Career Tech and ESC buildings.

##### *Proprietary Funds*

The RESA's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

#### General Fund Budgetary Highlights

The general fund actual revenues were \$10,400,011, which is more than the original budget estimate of \$9,001,348 by \$1,398,663 and less than the final amended budget of \$11,796,622 by \$1,396,611. The \$2,795,274 variance between the original and final budget was largely due to budgeting the increase in State Aid for Section 147 MPSERS funding \$186,000, 31p TRAILS \$268,000, Section 54D Early On Services \$129,000, Section 31p Early Childhood (ECIC) \$176,000, Great Start Readiness (GSRP) \$667,000, Early Literacy Coaches \$113,000 and 31n Mental Health Grant \$406,000. Also, local grants increased by \$302,500 and federal grants increased by \$470,000 more than originally anticipated.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

The \$1,396,611 variance between the final amended budget and the June 30, 2024 actual results was due to grants budgeted for the full grant but not fully administered within the fiscal year. The most significant grants carried to 2024-2025 include \$359,000 for Great Start Readiness Program (GSRP), \$157,000 for Section 31p ECIC Early Childhood, \$185,000 for Section 31n Mental Health Grants, \$129,000 for Homeless Students Grants, \$193,000 for Local Early Literacy and \$94,000 for College and Career Readiness Funding.

The actual expenditures of the general fund were \$10,493,495, which is greater than the original budget estimate of \$9,654,757 by \$838,738 and less than the final amended budget of \$12,621,588 by \$2,128,093. The \$2,966,831 variance between the original and final budget was also a result of additional grants that were not originally anticipated as referenced in the previous paragraphs.

The \$2,128,093 variance between the final amended budget and the June 30, 2024 actual expenditures was also a result of grants budgeted for the full grant but not fully administered within the fiscal year. The most significant grants were referenced in the previous paragraphs.

### Capital Assets and Debt Administration

*Capital Assets.* As of June 30, 2024 the RESA had invested approximately \$15.5 million in capital assets (net of depreciation/amortization), including school buildings, vehicles, computers, and other equipment. This amount represents a net increase of approximately \$1.9 million from last year. Additions for the 2023-2024 school year include approximately \$2 million for construction in progress for an Energy and HVAC Project in process for 2 of the RESA buildings and \$650,000 of Fiber Projects completed for the business-type activity. Total depreciation/amortization expense for the year was \$676,639 (\$568,194 for 2023).

	Capital Assets (Net of Depreciation/Amortization)					
	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 281,471	\$ 281,471	\$ -	\$ -	\$ 281,471	\$ 281,471
Construction in progress	2,034,456	685,051	-	-	2,034,456	685,051
Site improvements	348,658	369,239	1,313,392	740,252	1,662,050	1,109,491
Buildings	9,850,019	9,877,964	42,493	51,342	9,892,512	9,929,306
Equipment and furniture	917,903	575,962	272,638	281,735	1,190,541	857,697
Vehicles	79,312	100,105	46,339	62,671	125,651	162,776
Permanent installed equipment	12,094	-	-	-	12,094	-
Lease equipment	27,765	55,338	228,550	449,402	256,315	504,740
Total capital assets, net	<u>\$ 13,551,678</u>	<u>\$ 11,945,130</u>	<u>\$ 1,903,412</u>	<u>\$ 1,585,402</u>	<u>\$ 15,455,090</u>	<u>\$ 13,530,532</u>

Additional information on the RESA's capital assets can be found in the notes to the financial statements.

*Long-Term Debt.* At year-end, the RESA had no remaining long-term debt outstanding. The \$155,000 remaining long-term debt at June 30, 2023 was paid in full during the current fiscal year.

Additional information on the RESA's long-term debt can be found in the notes to the financial statements.



## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

#### Economic Factors and Next Year's Budget and Rates

The 2024-2025 budget developed by the RESA's administration and elected officials includes estimates based upon the information available in June when it was originally developed and are described below.

Considerations at the time the budget was developed include:

The State Aid Budget was not adopted by the State legislators until late in June making it challenging to estimate a budget. During preparation of the budget for 2024-25 the Section 81 funds (used for general administration for Intermediate School RESAs/Educational Service Agencies) were anticipated to increase 2.5% from the 2023-24 allocation, which was not included in the State budget. With no increase, Section 81 funding is still lower than the 2008-09 fiscal year allocation level. This remains 2.8% lower than the 2008-09 fiscal year. In preparing the budget, the RESA is anticipating a reduction in Special Education (Sec. 56) and Career Tech (Sec. 62) which are categorical funds from the state. The state in the past has tried to make up for the varied property values in different RESAs in Michigan by distributing funds on an "equalized" basis. This was an attempt by the state to provide equitable special and vocational education opportunities in property-poor RESAs to similar levels as land rich areas. The RESA has suffered about \$2.2 million of losses since 2009-10 fiscal year in Sec. 56 and 62 millage equalization funding. There was a small increase in the total allocated to these funds for the 2017-2018 year. The calculation of the millage equalization funding sources is based upon a formula which will result in the eventual phase out of these funding sources for NC RESA, unless it is funded by the state to the full amount necessary. In 2021-2022 Section 56 (7) resulted in increased funding for Special Education Funding of \$161,519, however, the revised formula has still resulted in decreases since that year.

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 schools and ISDs/RESAs to assist in paying the estimated UAAL costs. These reforms started in 2013-14 and doubled in the first two years. Based upon the Governor's Proposed budget, the RESA anticipated a reduction in the percent of wages which were to be used in the calculation of the UAAL funds and payments from 17% to 10%. The amount included in the 2024-25 budget for the RESA was \$1,455,120 or a 38.86% decrease from 2023-24 actual revenues of \$2,379,948. The fiscal year 2023-24 amount for the RESA was about a 25.7% increase from 2022-23 actual revenues of \$1,893,735. These amounts are budgeted as expenditures and off-setting revenue for a zero net-effect on the budgets.

Property tax values for properties within the RESA are beginning to recover; however, the effects of the Public Act (PA) 86 of 2014 reduces the collection of taxes on personal property. Therefore, the 2024-25 budget reflected a 1.0% decrease from 2023-24 fiscal year budget and actual. 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 18.76% to \$10,883,884 for fiscal year 2024-25. The decrease was largely due to the elimination or significant reductions of several grants anticipated to be received in 2024-25 including grants for American Rescue (ARP), Section 147 MPSERS funding, Drug Free Communities Grants, and Great Start Readiness Program (GSRP) Preschool Grants. The Special Education Fund budgeted an 0.30% increase in expenditures (including transfers) to \$15,361,623 in fiscal year 2024-25. This increase is mainly due to an increase in the estimated wages and benefits due to staff changes and a reduction in anticipated transfers. The Career Tech Fund budget reflected \$7,028,979 in expenditures (including transfers) for fiscal 2024-25, a 7.32% decrease from the final 2023-24 budget. This decrease is mostly due to staff changes and a decrease in the estimated transfers to other funds anticipated in the 2024-25 year.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Management's Discussion and Analysis

Employee wages and related fringe benefits represent approximately 60 - 70 percent of NC RESA's General, Special Education, Career-Tech. Education and NCATS Fund expenditures. Staffing levels will have a significant impact on the near-term future of the RESA.

#### **Contacting the RESA's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the RESA's finances and to demonstrate the RESA'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.

## **BASIC FINANCIAL STATEMENTS**

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# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Statement of Net Position

June 30, 2024

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 15,711,119	\$ 2,132,150	\$ 17,843,269
Investments	8,059,660	2,022,786	10,082,446
Receivables	3,933,001	175,359	4,108,360
Other assets	264,450	40,322	304,772
Net other postemployment benefit asset	604,128	57,527	661,655
Capital assets not being depreciated/amortized	2,315,927	-	2,315,927
Capital assets being depreciated/amortized, net	11,235,751	1,903,412	13,139,163
<b>Total assets</b>	<b>42,124,036</b>	<b>6,331,556</b>	<b>48,455,592</b>
<b>Deferred outflows of resources</b>			
Deferred pension amounts	12,419,396	1,182,610	13,602,006
Deferred other postemployment benefit amounts	2,753,346	262,181	3,015,527
<b>Total deferred outflows of resources</b>	<b>15,172,742</b>	<b>1,444,791</b>	<b>16,617,533</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	3,281,933	282,974	3,564,907
Unearned revenue	3,635,734	-	3,635,734
Long-term liabilities:			
Due within one year	23,789	21,092	44,881
Due in more than one year	107,455	267,343	374,798
Net pension liability (due in more than one year)	33,508,440	3,190,769	36,699,209
<b>Total liabilities</b>	<b>40,557,351</b>	<b>3,762,178</b>	<b>44,319,529</b>
<b>Deferred inflows of resources</b>			
Deferred pension amounts	5,571,201	530,506	6,101,707
Deferred other postemployment benefit amounts	4,793,131	456,416	5,249,547
<b>Total deferred inflows of resources</b>	<b>10,364,332</b>	<b>986,922</b>	<b>11,351,254</b>
<b>Net position</b>			
Net investment in capital assets	13,527,889	1,654,503	15,182,392
Restricted for:			
Special education	4,901,381	-	4,901,381
Career technical education	3,917,824	-	3,917,824
Capital projects	8,522,992	-	8,522,992
Food service	8,029	-	8,029
Other postemployment benefit	604,128	57,527	661,655
Unrestricted (deficit)	(25,107,148)	1,315,217	(23,791,931)
<b>Total net position</b>	<b>\$ 6,375,095</b>	<b>\$ 3,027,247</b>	<b>\$ 9,402,342</b>

The accompanying notes are an integral part of these financial statements.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Statement of Activities

For the Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 7,463,997	\$ 1,320,328	\$ 9,521,195	\$ 3,377,526
Supporting services	15,533,186	249,528	8,328,281	(6,955,377)
Community services	1,083,608	87,219	799,711	(196,678)
Food services	176,465	-	164,365	(12,100)
Interest on long-term debt	7,242	-	-	(7,242)
Payments to other entities	2,313,198	-	-	(2,313,198)
<b>Total governmental activities</b>	26,577,696	1,657,075	18,813,552	(6,107,069)
<b>Business-type activities</b>				
Technology services	4,116,667	3,921,348	-	(195,319)
<b>Total</b>	<u>\$ 30,694,363</u>	<u>\$ 5,578,423</u>	<u>\$ 18,813,552</u>	<u>\$ (6,302,388)</u>

continued...

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Statement of Activities

For the Year Ended June 30, 2024

Functions / Programs	Governmental Activities	Business-type Activities	Total
<b>Change in net position</b>			
Net (expense) revenue	\$ (6,107,069)	\$ (195,319)	\$ (6,302,388)
<b>General revenues and transfers</b>			
Property taxes:			
General	240,622	-	240,622
Special Education	5,352,130	-	5,352,130
Vocational Education	5,343,918	-	5,343,918
Unrestricted state aid	816,137	-	816,137
Unrestricted earnings on investment and deposits	551,718	132,955	684,673
Other revenue	300,035	-	300,035
Transfers	(283,979)	283,979	-
<b>Total general revenues and transfers</b>	<b>12,320,581</b>	<b>416,934</b>	<b>12,737,515</b>
<b>Change in net position</b>	<b>6,213,512</b>	<b>221,615</b>	<b>6,435,127</b>
Net position, beginning of year	161,583	2,805,632	2,967,215
<b>Net position, end of year</b>	<b>\$ 6,375,095</b>	<b>\$ 3,027,247</b>	<b>\$ 9,402,342</b>

concluded

The accompanying notes are an integral part of these financial statements.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Balance Sheet

Governmental Funds

June 30, 2024

	General	Special Education	Career Technical Education
<b>Assets</b>			
Cash and cash equivalents	\$ 3,257,554	\$ 3,039,741	\$ 1,955,808
Investments	1,385,999	1,678,792	2,251,687
Receivables:			
Accounts	55,196	10,204	109,625
Due from other governments	1,556,774	1,973,764	227,438
Inventory	6,549	6,549	35,465
Prepaid items	102,300	84,561	28,992
<b>Total assets</b>	<b>\$ 6,364,372</b>	<b>\$ 6,793,611</b>	<b>\$ 4,609,015</b>
<b>Liabilities</b>			
Accounts payable	\$ 122,085	\$ 21,618	\$ 18,375
Salaries payable	434,616	770,940	332,162
Accrued liabilities	236,274	650,606	303,691
Due to other governments	66,417	309,425	102
Unearned revenue	3,459,232	139,641	36,861
<b>Total liabilities</b>	<b>4,318,624</b>	<b>1,892,230</b>	<b>691,191</b>
<b>Fund balances</b>			
Nonspendable	108,849	91,110	64,457
Restricted	-	4,810,271	3,853,367
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,936,899	-	-
<b>Total fund balances</b>	<b>2,045,748</b>	<b>4,901,381</b>	<b>3,917,824</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,364,372</b>	<b>\$ 6,793,611</b>	<b>\$ 4,609,015</b>

The accompanying notes are an integral part of these financial statements.





Capital Projects	Nonmajor Governmental Funds	Totals
\$ 7,442,338	\$ 8,894	\$ 15,704,335
2,743,182	-	8,059,660
-	-	175,025
-	-	3,757,976
-	-	48,563
-	34	215,887
<u>\$ 10,185,520</u>	<u>\$ 8,928</u>	<u>\$ 27,961,446</u>
\$ 3,963	\$ -	\$ 166,041
-	-	1,537,718
-	249	1,190,820
-	650	376,594
-	-	3,635,734
<u>3,963</u>	<u>899</u>	<u>6,906,907</u>
-	34	264,450
8,522,992	7,995	17,194,625
972,683	-	972,683
685,882	-	685,882
-	-	1,936,899
<u>10,181,557</u>	<u>8,029</u>	<u>21,054,539</u>
<u>\$ 10,185,520</u>	<u>\$ 8,928</u>	<u>\$ 27,961,446</u>

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## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2024

<b>Fund balances - total governmental funds</b>	<b>\$ 21,054,539</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated/amortized	2,315,927
Capital assets being depreciated/amortized, net	11,207,986
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(107,455)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, the net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(33,508,440)
Deferred outflows related to the net pension liability	12,419,396
Deferred inflows related to the net pension liability	(5,571,201)
Net other postemployment benefit asset	604,128
Deferred outflows related to the net other postemployment benefit asset	2,753,346
Deferred inflows related to the net other postemployment benefit asset	<u>(4,793,131)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 6,375,095</u></b>

The accompanying notes are an integral part of these financial statements.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2024

	General	Special Education	Career Technical Education
<b>Revenues</b>			
Local sources	\$ 1,745,312	\$ 6,620,839	\$ 5,773,951
State sources	7,903,194	5,260,706	1,304,684
Federal sources	622,592	2,972,980	155,897
Interdistrict sources	128,913	4,482	207,000
<b>Total revenues</b>	<u>10,400,011</u>	<u>14,859,007</u>	<u>7,441,532</u>
<b>Expenditures</b>			
Current:			
Instruction	2,551,037	1,967,739	3,321,591
Supporting services	6,451,214	8,055,154	2,330,546
Community services	1,043,952	52,046	47,265
Food services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	19,713	282,996	-
Payments to other governments	427,579	1,879,621	5,998
<b>Total expenditures</b>	<u>10,493,495</u>	<u>12,237,556</u>	<u>5,705,400</u>
Revenues over (under) expenditures	<u>(93,484)</u>	<u>2,621,451</u>	<u>1,736,132</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,013,091	-	31,169
Transfers out	(683,791)	(2,223,842)	(1,463,231)
Proceeds from sale of capital assets	5,195	2,238	-
<b>Total other financing sources (uses)</b>	<u>334,495</u>	<u>(2,221,604)</u>	<u>(1,432,062)</u>
<b>Net change in fund balances</b>	<u>241,011</u>	<u>399,847</u>	<u>304,070</u>
Fund balances, beginning of year	<u>1,804,737</u>	<u>4,501,534</u>	<u>3,613,754</u>
<b>Fund balances, end of year</b>	<u><u>\$ 2,045,748</u></u>	<u><u>\$ 4,901,381</u></u>	<u><u>\$ 3,917,824</u></u>

The accompanying notes are an integral part of these financial statements.



Capital Projects	Nonmajor Governmental Funds	Totals
\$ 209,122	\$ 118	\$ 14,349,342
-	3,481	14,472,065
-	160,882	3,912,351
-	-	340,395
<u>209,122</u>	<u>164,481</u>	<u>33,074,153</u>
-	-	7,840,367
-	-	16,836,914
-	-	1,143,263
-	180,610	180,610
-	155,000	155,000
-	5,150	5,150
2,318,148	-	2,620,857
-	-	2,313,198
<u>2,318,148</u>	<u>340,760</u>	<u>31,095,359</u>
<u>(2,109,026)</u>	<u>(176,279)</u>	<u>1,978,794</u>
3,313,716	-	4,357,976
-	(5,222)	(4,376,086)
-	-	7,433
<u>3,313,716</u>	<u>(5,222)</u>	<u>(10,677)</u>
1,204,690	(181,501)	1,968,117
<u>8,976,867</u>	<u>189,530</u>	<u>19,086,422</u>
<u>\$ 10,181,557</u>	<u>\$ 8,029</u>	<u>\$ 21,054,539</u>

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## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2024

**Net change in fund balances - total governmental funds** **\$ 1,968,117**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.

Capital assets purchased/constructed	2,770,724
Depreciation/amortization expense	(475,651)
Proceeds from sale of capital assets	(7,433)
Loss on disposal of capital assets	(369,540)
Transfer of capital assets to business-type activities	(283,979)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases bonds and other long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces bonds and other long-term liabilities in the statement of net position.

Principal payments on bonds and other long-term liabilities	155,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	531,726
Change in the net other postemployment benefit asset and related deferred amounts	1,999,487
Change in the accrual for compensated absences	(2,954)

Internal service funds are used by management to charge the costs of certain activities, as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Change in net position from governmental activities accounted for in internal service funds	(71,985)
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**Change in net position of governmental activities** **\$ 6,213,512**

The accompanying notes are an integral part of these financial statements.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Statement of Net Position

Proprietary Funds

June 30, 2024

	Business-type Activities	Governmental Activities
	Advance Technology Services Fund	Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,132,150	\$ 6,784
Investments	2,022,786	-
Receivables	175,359	-
Prepaid items	40,322	-
Total current assets	<u>4,370,617</u>	<u>6,784</u>
Noncurrent assets:		
Net OPEB asset	57,527	-
Capital assets being depreciated/amortized, net	<u>1,903,412</u>	<u>27,765</u>
Total noncurrent assets	<u>1,960,939</u>	<u>27,765</u>
<b>Total assets</b>	<u>6,331,556</u>	<u>34,549</u>
<b>Deferred outflows of resources</b>		
Deferred pension amounts	1,182,610	-
Deferred other postemployment benefit amounts	<u>262,181</u>	<u>-</u>
<b>Total deferred outflows of resources</b>	<u>1,444,791</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	22,046	10,760
Salaries payable	44,882	-
Accrued liabilities	216,046	-
Current portion of lease liability	<u>21,092</u>	<u>23,789</u>
Total current liabilities	<u>304,066</u>	<u>34,549</u>
Noncurrent liabilities:		
Compensated absences	39,526	-
Lease liability, net of current portion	227,817	-
Net pension liability	<u>3,190,769</u>	<u>-</u>
Total noncurrent liabilities	<u>3,458,112</u>	<u>-</u>
<b>Total liabilities</b>	<u>3,762,178</u>	<u>34,549</u>
<b>Deferred inflows of resources</b>		
Deferred pension amounts	530,506	-
Deferred other postemployment benefit amounts	<u>456,416</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>986,922</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	1,654,503	3,976
Restricted for other postemployment benefits	57,527	-
Unrestricted	<u>1,315,217</u>	<u>(3,976)</u>
<b>Total net position</b>	<u>\$ 3,027,247</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2024

	Business-type Activities	Governmental Activities
	Advance Technology Services Fund	Internal Service Fund
<b>Operating revenues</b>		
Charges for services	\$ 3,921,348	\$ 112,630
<b>Operating expenses</b>		
Supporting services:		
General administration	5,075	-
Business services	176,179	78,707
Operation and maintenance	223,131	-
Central services	3,482,248	95,387
Depreciation/amortization	173,415	27,573
<b>Total operating expenses</b>	4,060,048	201,667
Operating loss	(138,700)	(89,037)
<b>Nonoperating revenues (expenses)</b>		
Interest revenue	132,955	1,034
Interest expense	(12,180)	(2,092)
Loss on disposal of capital asset	(44,439)	-
<b>Total nonoperating revenues (expenses)</b>	76,336	(1,058)
Loss before transfers	(62,364)	(90,095)
<b>Transfers in</b>	283,979	18,110
<b>Change in net position</b>	221,615	(71,985)
Net position, beginning of year	2,805,632	71,985
<b>Net position, end of year</b>	\$ 3,027,247	\$ -

The accompanying notes are an integral part of these financial statements.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2024

	Business-type Activities	Governmental Activities
	Advance Technology Services Fund	Internal Service Fund
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 3,873,906	\$ 112,804
Cash payments to employees	(583,778)	-
Cash payments to suppliers	(3,037,048)	(163,470)
<b>Net cash provided by (used in) operating activities</b>	<u>253,080</u>	<u>(50,666)</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers from other funds	-	18,110
<b>Cash flows from capital and related financing activities</b>		
Principal payments on bonds and other long-term liabilities	(30,602)	(41,014)
Interest payments on bonds and other long-term liabilities	(12,180)	(2,092)
Purchase/construction of capital assets	(402,668)	-
<b>Net cash used in capital and related financing activities</b>	<u>(445,450)</u>	<u>(43,106)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(116,078)	-
Sale of investments	-	32,155
Interest received	132,955	1,034
<b>Net cash flows provided by investing activities</b>	<u>16,877</u>	<u>33,189</u>
<b>Net change in cash and cash equivalents</b>	<u>(175,493)</u>	<u>(42,473)</u>
Cash and cash equivalents, beginning of year	<u>2,307,643</u>	<u>49,257</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,132,150</u></u>	<u><u>\$ 6,784</u></u>

continued...

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2024

	Business-type Activities	Governmental Activities
	Advance Technology Services Fund	Internal Service Fund
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities</b>		
Operating loss	\$ (138,700)	\$ (89,037)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation/amortization	173,415	27,573
Change in:		
Receivables	(47,442)	174
Prepaid items	9,542	-
Net OPEB asset/liability	(136,052)	-
Deferred outflow of resources - pension amounts	(218,627)	-
Deferred outflow of resources - OPEB amounts	28,031	-
Accounts payable	(233,730)	10,624
Salaries payable	1,154	-
Accrued liabilities	193,178	-
Compensated absences	3,597	-
Net pension liability	198,463	-
Deferred inflow of resources - pension amounts	367,320	-
Deferred inflow of resources - OPEB amounts	52,931	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 253,080</u>	<u>\$ (50,666)</u>

#### Noncash capital and related financing activity

The Advance Technology Services Fund received a noncash capital asset transfer from governmental activities of \$283,979.

The Advance Technology Services Fund had a noncash disposal of a lease right to use asset and related lease liability of \$150,783.

concluded

The accompanying notes are an integral part of these financial statements.

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2024

	Custodial Fund
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 14,492</u>
<b>Liabilities</b>	
Undistributed receipts	<u><u>\$ 14,492</u></u>

The accompanying notes are an integral part of these financial statements.

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

Statement of Changes in Fiduciary Net Position

Fiduciary Fund  
For the Year Ended June 30, 2024

	Custodial Fund
<b>Additions</b>	
Collections for other organizations	\$ 1,856
<b>Deductions</b>	
Payments to other organizations	<u>1,856</u>
<b>Change in net position</b>	-
Net position, beginning of year	<u>-</u>
<b>Net position, end of year</b>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

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## **NOTES TO FINANCIAL STATEMENTS**

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The financial statements of the Newaygo County Regional Educational Service Agency (the "RESA") 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 RESA's accounting policies are described below.

The RESA was organized under the School Code of the State of Michigan and services a population of about 7,500 students. The RESA 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 RESA 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 RESA conform to generally accepted accounting principles as applicable to school agencies. The following is a summary of the more significant policies.

#### 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 RESA. The criteria identified in U.S. GAAP, including financial accountability, have been utilized in identifying the RESA's reporting entity which includes no component units.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the RESA as a whole. The reported information includes all of the non-fiduciary activities of the RESA. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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



## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

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

*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.

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

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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.

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 RESA 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.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

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. Other 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 RESA before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The RESA reports the following major governmental funds:

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

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

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

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

The RESA reports the following major enterprise fund:

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

Additionally, the RESA also reports the following fund types:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specific purposes other than debt service or capital projects.

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The internal service fund accounts for office services provided to other departments on a cost reimbursement basis (Office Services Fund).

The custodial fund accounts for the assets held by the RESA on behalf of others.

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

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

#### ***Deposits and Investments***

The RESA'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.

The RESA's investments in the Michigan Liquid Asset Fund and the Michigan CLASS investment pool are recorded at amortized cost and net asset value, respectively.

#### ***Receivables***

The RESA follows the practice of recording revenues that have been earned but not yet received as receivables. Receivables consist primarily of state aid payments from the State of Michigan and federal grants earned by not yet collected.

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

#### ***Property Taxes***

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property's state equalized value (which approximates  $\frac{1}{2}$  actual value). However, the taxable valuation is limited to the lesser of a 5% increase or the rate of inflation as established by the State of Michigan from the previous year, while there is no limit to the increase in property values for state equalized valuation.

#### ***Inventories***

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

#### ***Prepaid Items***

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

#### ***Capital Assets***

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

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

Capital assets are defined by the RESA 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 acquisition 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the RESA are depreciated using the straight line method over the following estimated useful lives:

	Years
Building and building additions	20-50
Site improvements	20-25
Vehicles	5-10
Equipment and furniture	5-20

### ***Leases***

*Lessee.* The RESA is a lessee for noncancellable leases of equipment and internet service locations. The RESA recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The RESA recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the RESA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the RESA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The RESA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the RESA generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the RESA is reasonably certain to exercise.

The RESA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### ***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The RESA reports deferred outflows of resources related to its pension and other postemployment benefit plans. A portion of these costs also represent contributions to the pension and other postemployment benefit plans subsequent to the plan measurement date.

### ***Salaries Payable and Accrued Employee Benefits***

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the RESA who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The RESA pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

### ***Compensated Absences***

Eligible employees are permitted to accumulate earned but unused vacation pay benefits in varying amounts based on length of service and certain other established criteria. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

#### ***Pension and Other Postemployment Benefits Plans (OPEB)***

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

#### ***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The RESA reports deferred inflows of resources related to its pension and other postemployment benefit plans.

#### ***Interfund Transactions***

During the course of normal operations, the RESA has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the RESA. Balances outstanding at year-end are reported as due to/from other funds.

#### ***Net Position***

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

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

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

### *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.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

The RESA 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 RESA 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 RESA 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 RESA'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 RESA'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 RESA had expenditures exceeded the revised budget for the year ended June 30, 2024 as follows:

	Final Budget	Actual	Variance
<b><i>Special Education Fund</i></b>			
Transfers out	\$ 1,664,366	\$ 2,223,842	\$ 559,476
<b><i>Career Technical Education Fund</i></b>			
Transfers out	1,205,029	1,463,231	258,202



# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investment balances as of June 30, 2024:

**Statement of Net Position**

Cash and cash equivalents	\$ 17,843,269
Investments	10,082,446

**Statement of Fiduciary Net Position**

Cash and cash equivalents	<u>14,492</u>
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<b>Total</b>	<u><u>\$ 27,940,207</u></u>
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**Deposits**

Cash on hand	\$ 1,472
Bank deposits (checking accounts and savings accounts)	17,856,289
Investments:	
Michigan Investment Liquid Assets Fund	8,187,673
Michigan CLASS Pool	<u>1,894,773</u>
	<u><u>\$ 27,940,207</u></u>

Michigan law authorizes the RESA to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a district.

The RESA's investment policy allows for all of these types of investments.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

#### *Deposit and Investment Risk*

As of June 30, 2024, the RESA had the following investments:

Investment Type	Fair Value	Maturities	Standard & Poors Rating
Michigan Liquid Asset Fund *	\$ 8,187,673	N/A	AAAm
Michigan CLASS Pool	<u>1,894,773</u>	N/A	AAAm
<b>Total</b>	<u><u>\$ 10,082,446</u></u>		

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

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The RESA's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The RESA's investments do not have a stated maturity date.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of RESA's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in above. The investment policy does not have specific limits in excess of State law on investment credit risk. The RESA's investments were rated by Standard and Poors as AAAm as of year-end.

*Custodial Credit Risk.* Deposits. Custodial credit risk is the risk that in the event of a bank failure, the RESA's deposits may not be returned. State law does not require and the RESA does not have a policy for deposit custodial credit risk. As of year-end, \$16,908,589 of the RESA's bank balance of \$18,158,589 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk.* Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the RESA's name. In accordance with the RESA's investment policy, individual securities are held in the name of the RESA and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk. Money market funds are not evidenced by specific securities, and therefore are not subject to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above.

The RESA's investment in the Michigan Liquid Asset Fund (MILAF) is carried at amortized cost (which approximates fair value). The RESA holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

At June 30, 2024, the net asset value of the RESA's investment in the Michigan CLASS government investment pool was \$1,894,773. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

#### 4. RECEIVABLES AND UNEARNED REVENUE

Receivables as of year-end for the RESA are as follows:

	Governmental Activities	Business-type Activities	Total
Accounts	\$ 175,025	\$ 175,359	\$ 350,384
Due from other governments	3,757,976	-	3,757,976
<b>Total</b>	<b>\$ 3,933,001</b>	<b>\$ 175,359</b>	<b>\$ 4,108,360</b>

#### *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, 2024, the RESA's unearned revenue was for payments received for services not yet provided.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

#### 5. INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2024, was as follows:

Transfers Out	Transfers In				
	General Fund	Career Technical Education Fund	Capital Projects Fund	Internal Service Fund	Total
General fund	\$ -	\$ 31,169	\$ 634,512	\$ 18,110	\$ 683,791
Special education fund	502,317	-	1,721,525	-	2,223,842
Career technical education fund	510,774	-	952,457	-	1,463,231
Nonmajor governmental	-	-	5,222	-	5,222
<b>Total</b>	<b>\$ 1,013,091</b>	<b>\$ 31,169</b>	<b>\$ 3,313,716</b>	<b>\$ 18,110</b>	<b>\$ 4,376,086</b>

Transfers into the General Fund in the amount of \$1,013,091 were for the indirect cost charges of the Special Education Fund and Career Technical Education Fund.

The General Fund, Special Education Fund, and Career Technical Education Fund transferred funds to the Capital Projects Fund to be used toward future capital improvements. The General Fund transferred funds to the Food Service Fund for indirect costs incurred.

In addition to the cash transfers noted above, the Advance Technology Services enterprise funds had a non-cash capital asset transfer in from governmental activities totaling \$283,979.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### 6. CAPITAL ASSETS

A summary of capital asset activity for the fiscal year ended June 30, 2024 follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Government-type activities</b>					
Capital assets not being depreciated/amortized					
Land	\$ 281,471	\$ -	\$ -	\$ -	\$ 281,471
Construction in progress	685,051	2,034,456	-	(685,051)	2,034,456
	<u>966,522</u>	<u>2,034,456</u>	<u>-</u>	<u>(685,051)</u>	<u>2,315,927</u>
Capital assets, being depreciated/amortized					
Site improvements	2,965,996	6,221	-	-	2,972,217
Buildings	6,972,393	-	(529,027)	-	6,443,366
Building additions	10,562,849	316,714	-	296,082	11,175,645
Equipment and furniture	3,559,675	400,713	(231,720)	104,990	3,833,658
Vehicles	302,164	-	(16,105)	-	286,059
Permanent installed equipment	-	12,620	-	-	12,620
Lease equipment (Note 9)	195,113	-	-	-	195,113
	<u>24,558,190</u>	<u>736,268</u>	<u>(776,852)</u>	<u>401,072</u>	<u>24,918,678</u>
Less accumulated depreciation/amortization for:					
Site improvements	(2,596,757)	(26,802)	-	-	(2,623,559)
Buildings	(3,721,380)	(65,748)	152,054	-	(3,635,074)
Building additions	(3,935,898)	(198,020)	-	-	(4,133,918)
Equipment and furniture	(2,983,713)	(163,762)	231,720	-	(2,915,755)
Vehicles	(202,059)	(20,793)	16,105	-	(206,747)
Permanent installed equipment	-	(526)	-	-	(526)
Lease equipment (Note 9)	(139,775)	(27,573)	-	-	(167,348)
	<u>(13,579,582)</u>	<u>(503,224)</u>	<u>399,879</u>	<u>-</u>	<u>(13,682,927)</u>
Total capital assets being depreciated/ amortized, net	<u>10,978,608</u>	<u>233,044</u>	<u>(376,973)</u>	<u>401,072</u>	<u>11,235,751</u>
<b>Governmental activities</b>					
<b>capital assets, net</b>	<u>\$ 11,945,130</u>	<u>\$ 2,267,500</u>	<u>\$ (376,973)</u>	<u>\$ (283,979)</u>	<u>\$ 13,551,678</u>

At June 30, 2024, the RESA governmental activities had outstanding commitments through construction contracts of approximately \$2 million.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

Depreciation/amortization expense was charged to governmental functions as follows:

Instruction	\$ 269,558
Supporting services	206,093
Internal service fund	<u>27,573</u>
<b>Total</b>	<u><u>\$ 503,224</u></u>

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Business-type activities</b>					
Capital assets, being depreciated/amortized					
Site improvements	\$ 749,919	\$ 366,920	\$ -	\$ 283,979	\$ 1,400,818
Building additions	88,494	-	-	-	88,494
Equipment and furniture	496,428	35,748	(28,131)	-	504,045
Vehicles	132,361	-	-	-	132,361
Lease internet service locations (Note 8)	624,250	-	(229,743)	-	394,507
	<u>2,091,452</u>	<u>402,668</u>	<u>(257,874)</u>	<u>283,979</u>	<u>2,520,225</u>
Less accumulated depreciation/amortization for:					
Site improvements	(9,667)	(77,759)	-	-	(87,426)
Building additions	(37,152)	(8,849)	-	-	(46,001)
Equipment and furniture	(214,693)	(44,845)	28,131	-	(231,407)
Vehicles	(69,690)	(16,332)	-	-	(86,022)
Lease internet service locations (Note 8)	(174,848)	(25,630)	34,521	-	(165,957)
	<u>(506,050)</u>	<u>(173,415)</u>	<u>62,652</u>	<u>-</u>	<u>(616,813)</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 1,585,402</u></u>	<u><u>\$ 229,253</u></u>	<u><u>\$ (195,222)</u></u>	<u><u>\$ 283,979</u></u>	<u><u>\$ 1,903,412</u></u>

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### 7. BONDS AND OTHER LONG-TERM LIABILITIES

The following is a summary of governmental-type and business-type activities bonds and other long-term liabilities of the RESA for the year ended June 30, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds	\$ 155,000	\$ -	\$ (155,000)	\$ -	\$ -
Lease liability (Note 8)	64,803	-	(41,014)	23,789	23,789
Compensated absences	104,501	194,206	(191,252)	107,455	-
<b>Total</b>	<u>\$ 324,304</u>	<u>\$ 194,206</u>	<u>\$ (387,266)</u>	<u>\$ 131,244</u>	<u>\$ 23,789</u>
<b>Business-type activities</b>					
Lease liability (Note 8)	\$ 430,294	\$ -	\$ (181,385)	\$ 248,909	\$ 21,092
Compensated absences	35,929	95,676	(92,079)	39,526	-
<b>Total</b>	<u>\$ 466,223</u>	<u>\$ 95,676</u>	<u>\$ (273,464)</u>	<u>\$ 288,435</u>	<u>\$ 21,092</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund, the Special Education Fund, and the Career Technical Education Fund.

### 8. LEASES

**Lessee** - The RESA has multiple leases for use of equipment and internet service locations throughout the RESA service area that qualify as long-term lease agreements. These agreements qualify as intangible, right-to-use assets and not a financed purchases, as the RESA will not own the asset at the end of the contract term and the noncancelable term of the agreements surpasses one year.

The right-to-use-assets and the related activity are included in Note 6, Capital Assets. The lease liability and related activity are presented in Note 7, Bonds and Other Long-term Liabilities.

	Remaining Term of Agreements
<b>Asset Type</b>	
Governmental activities	
Equipment	1 year
Business-type activities	
Internet service locations	5-17 years

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

The net present value of future minimum payments as of June 30, 2024, are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 23,789	\$ 368	\$ 21,092	\$ 11,248
2026	-	-	22,105	10,235
2027	-	-	23,167	9,174
2028	-	-	23,883	8,063
2029	-	-	22,728	6,951
2030-2034	-	-	60,931	23,744
2035-2039	-	-	55,612	11,455
2040-2041	-	-	19,391	729
<b>Totals</b>	<u>\$ 23,789</u>	<u>\$ 368</u>	<u>\$ 248,909</u>	<u>\$ 81,599</u>

### 9. PROPERTY TAXES & TAX ABATEMENTS

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 RESA by the treasurers of the various governmental entities covered by the RESA. The counties of Newaygo, Muskegon, Oceana and Kent through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the RESA each year.

The RESA 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 \$112,745 for the year ended June 30, 2024.

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



# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### 10. 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 and fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

#### *Pension 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% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

#### ***Other Postemployment 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 premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or 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

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 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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.16% - 23.03%
Member Investment Plan (MIP)	3.00% - 7.00%	20.16% - 23.03%
Pension Plus	3.00% - 6.40%	17.24% - 19.17%
Pension Plus 2	6.20%	19.95% - 20.10%
Defined Contribution	0.00%	13.75% - 13.90%

For the year ended June 30, 2024, required and actual contributions from the RESA to the pension plan were \$4,871,730, which included \$2,319,563, the amount received from the State and remitted to the System to fund the MPSERS unfunded actuarial accrued liability ("UAAL") stabilization rate.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06% - 7.21%

For the year ended June 30, 2024, required and actual contributions from the RESA to the OPEB plan were \$988,088.

The table below summarizes defined contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2024, required and actual contributions from the RESA for those members with a defined contribution benefit were \$284,245.

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

At June 30, 2024, the RESA reported a liability of \$36,699,209 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. The RESA'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, 2023, the RESA's proportion was 0.11339%, which was an increase of 0.00821% from its proportion measured as of September 30, 2022.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

For the year ended June 30, 2024, the RESA recognized pension expense of \$5,395,291. At June 30, 2024, the RESA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 1,158,482	\$ 56,217	\$ 1,102,265
Changes in assumptions	4,972,910	2,867,267	2,105,643
Net difference between projected and actual earnings on pension plan investments	-	750,985	(750,985)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,966,601	107,675	2,858,926
	<u>9,097,993</u>	<u>3,782,144</u>	<u>5,315,849</u>
RESA contributions subsequent to the measurement date	4,504,013	-	4,504,013
Pension portion of the Sec 147c state aid award subsequent to the measurement date	-	2,319,563	(2,319,563)
	<u>-</u>	<u>2,319,563</u>	<u>(2,319,563)</u>
<b>Total</b>	<u><u>\$ 13,602,006</u></u>	<u><u>\$ 6,101,707</u></u>	<u><u>\$ 7,500,299</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from RESA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. The amount reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State revenue in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2025	\$ 1,718,754
2026	1,548,919
2027	2,332,720
2028	<u>(284,544)</u>
<b>Total</b>	<u><u>\$ 5,315,849</u></u>

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

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

At June 30, 2024, the RESA reported an asset of \$661,655 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The RESA's proportion of the net OPEB asset 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, 2023, the RESA's proportion was 0.11696% which was an increase of 0.00751% from its proportion measured as of September 30, 2022.

For the year ended June 30, 2024, the RESA recognized an OPEB benefit of \$1,048,058. At June 30, 2024, the RESA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 4,999,802	\$ (4,999,802)
Changes in assumptions	1,472,959	177,372	1,295,587
Net difference between projected and actual earnings on OPEB plan investments	2,017	-	2,017
Changes in proportion and differences between employer contributions and proportionate share of contributions	707,572	72,373	635,199
	<u>2,182,548</u>	<u>5,249,547</u>	<u>(3,066,999)</u>
RESA contributions subsequent to the measurement date	832,979	-	832,979
<b>Total</b>	<u>\$ 3,015,527</u>	<u>\$ 5,249,547</u>	<u>\$ (2,234,020)</u>

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### Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from RESA contributions subsequent to the measurement date will be recognized as an adjustment to the net OPEB asset/liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2025	\$ (1,101,823)
2026	(1,002,053)
2027	(290,031)
2028	(276,491)
2029	(255,278)
Thereafter	<u>(141,323)</u>
<b>Total</b>	<b><u>\$ (3,066,999)</u></b>

#### **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. The total pension and OPEB liabilities in the September 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 Post-65: 6.25% Year 1 graded to 3.5% Year 15
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

#### Other OPEB 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.

Assumption changes as a result of an experience study for the period 2012 through 2017 and 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 and September 30, 2023 valuations, respectively. The total pension and OPEB liabilities as of September 30, 2023, are based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4406 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.5099 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

*Changes in assumptions.* The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.



## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

#### *Long-term Expected Return on Pension and OPEB Plan Assets*

The long-term expected rate of return on pension and 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 pension/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 pension and OPEB plans' target asset allocation as of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	25.00%	5.43%	1.36%
Private equity pools	16.00%	8.99%	1.44%
International equity pools	15.00%	6.37%	0.95%
Fixed income pools	13.00%	1.22%	0.16%
Real estate and infrastructure pools	10.00%	5.99%	0.60%
Absolute return pools	9.00%	4.49%	0.40%
Real return/opportunistic pools	10.00%	6.83%	0.68%
Short-term investment pools	2.00%	0.28%	0.01%
	<u>100.00%</u>		5.60%
Inflation			2.70%
Risk adjustment			<u>-2.30%</u>
<b>Investment rate of return</b>			<u><u>6.00%</u></u>

#### *Rate of Return*

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. 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

#### *Discount Rate*

A discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates 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 and 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 pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

#### *Sensitivity of the RESA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the RESA's proportionate share of the net pension liability, calculated using a discount rate of 6.00% (6.00% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the RESA'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 (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
RESA's proportionate share of the net pension liability	\$ 49,580,524	\$ 36,699,209	\$ 25,975,049

#### *Sensitivity of the RESA's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate*

The following presents the RESA's proportionate share of the net OPEB (asset) liability calculated using the discount rate of 6.00%, as well as what the RESA's proportionate share of the net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
RESA's proportionate share of the net OPEB (asset) liability	\$ 6,859,367	\$ (661,655)	\$ (1,819,778)

NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

Notes to Financial Statements

*Sensitivity of the RESA’s Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate*

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
RESA's proportionate share of the net OPEB (asset) liability	\$ (1,822,665)	\$ (661,655)	\$ 594,939

*Pension and OPEB Plans Fiduciary Net Position*

Detailed information about the pension and OPEB plan’s fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

*Payable to the Pension Plan*

At June 30, 2024, the RESA reported a payable of \$746,137 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

*Payable to the OPEB Plan*

At June 30, 2024, the RESA reported a payable of \$121,737 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024.

11. RISK MANAGEMENT

The RESA 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.

12. CONTINGENCIES LIABILITIES

In the normal course of its activities, the RESA has become a party in various legal actions. Management of the RESA is of the opinion that the outcome of such actions will not have a material effect on the financial position of the RESA and, therefore, has not reflected loss reserves in the financial statements.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Financial Statements

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the RESA expects such amounts, if any, to be immaterial.

### 13. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2024 is as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets:			
Capital assets not being depreciated/amortized	\$ 2,315,927	\$ -	\$ 2,315,927
Capital assets being depreciated/amortized, net	11,235,751	1,903,412	13,139,163
	13,551,678	1,903,412	15,455,090
Related debt:			
Lease liability	23,789	248,909	272,698
<b>Net investment in capital assets</b>	<b>\$ 13,527,889</b>	<b>\$ 1,654,503</b>	<b>\$ 15,182,392</b>

### 14. SUBSEQUENT YEAR COMMITMENT

In May 2024, the RESA entered into a Subscription-Based Information Technology Arrangement at a total cost of \$356,375 for software that's service period started after year end. The arrangement is payable through June 30, 2026 and will be recognized as a right to use asset and subscription liability in the 2024-2025 fiscal year.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Financial Statements

### 15. FUND BALANCE - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Special Education Fund	Career Technical Education Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>						
Inventory	\$ 6,549	\$ 6,549	\$ 35,465	\$ -	\$ -	\$ 48,563
Prepays	102,300	84,561	28,992	-	34	215,887
<b>Total nonspendable</b>	<u>108,849</u>	<u>91,110</u>	<u>64,457</u>	<u>-</u>	<u>34</u>	<u>264,450</u>
<b>Restricted</b>						
Special education	-	4,810,271	-	-	-	4,810,271
Career technical education	-	-	3,853,367	-	-	3,853,367
Food service	-	-	-	-	7,995	7,995
Capital projects - career tech	-	-	-	3,344,229	-	3,344,229
Capital projects - special education	-	-	-	5,178,763	-	5,178,763
<b>Total restricted</b>	<u>-</u>	<u>4,810,271</u>	<u>3,853,367</u>	<u>8,522,992</u>	<u>7,995</u>	<u>17,194,625</u>
<b>Committed</b>						
Capital projects - general	-	-	-	972,683	-	972,683
<b>Assigned</b>						
Capital projects - general	-	-	-	685,882	-	685,882
<b>Unassigned</b>	<u>1,936,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,936,899</u>
<b>Total fund balances - governmental funds</b>	<u>\$ 2,045,748</u>	<u>\$ 4,901,381</u>	<u>\$ 3,917,824</u>	<u>\$ 10,181,557</u>	<u>\$ 8,029</u>	<u>\$ 21,054,539</u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 1,824,350	\$ 2,171,299	\$ 1,745,312	\$ (425,987)
State sources	6,754,610	8,702,590	7,903,194	(799,396)
Federal sources	286,203	756,376	622,592	(133,784)
Interdistrict sources	136,185	166,357	128,913	(37,444)
<b>Total revenues</b>	<u>9,001,348</u>	<u>11,796,622</u>	<u>10,400,011</u>	<u>(1,396,611)</u>
<b>Expenditures</b>				
Current:				
Instruction	<u>2,721,042</u>	<u>2,869,743</u>	<u>2,551,037</u>	<u>(318,706)</u>
Supporting services:				
Pupil support	928,920	1,534,867	1,269,813	(265,054)
Instructional support	1,632,234	2,161,585	1,965,491	(196,094)
General administration	567,807	659,040	601,288	(57,752)
School administration	95,188	122,187	29,958	(92,229)
Business services	744,911	713,579	699,610	(13,969)
Operations and maintenance	788,075	834,928	706,483	(128,445)
Pupil transportation	109,962	526,146	506,911	(19,235)
Central services	445,887	1,312,786	671,660	(641,126)
Total supporting services	<u>5,312,984</u>	<u>7,865,118</u>	<u>6,451,214</u>	<u>(1,413,904)</u>
Community services	<u>1,237,390</u>	<u>1,429,148</u>	<u>1,043,952</u>	<u>(385,196)</u>
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>19,713</u>	<u>(10,287)</u>
Payments to other governments	<u>353,341</u>	<u>427,579</u>	<u>427,579</u>	<u>-</u>
<b>Total expenditures</b>	<u>9,654,757</u>	<u>12,621,588</u>	<u>10,493,495</u>	<u>(2,128,093)</u>
Revenues under expenditures	<u>(653,409)</u>	<u>(824,966)</u>	<u>(93,484)</u>	<u>731,482</u>

continued...



## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Other financing sources (uses)</b>				
Transfers in	\$ 997,263	\$ 1,095,413	\$ 1,013,091	\$ (82,322)
Transfers out	(348,854)	(775,447)	(683,791)	(91,656)
Issuance of long-term liabilities	-	500,000	-	(500,000)
Proceeds from sale of capital assets	5,000	5,000	5,195	195
<b>Total other financing sources (uses)</b>	<u>653,409</u>	<u>824,966</u>	<u>334,495</u>	<u>(490,471)</u>
<b>Net change in fund balance</b>	-	-	241,011	241,011
Fund balance, beginning of year	<u>1,804,737</u>	<u>1,804,737</u>	<u>1,804,737</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,804,737</u></u>	<u><u>\$ 1,804,737</u></u>	<u><u>\$ 2,045,748</u></u>	<u><u>\$ 241,011</u></u>

concluded

The accompanying notes are an integral part of these financial statements.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 5,787,189	\$ 6,435,569	\$ 6,620,839	\$ 185,270
State sources	3,968,344	5,142,438	5,260,706	118,268
Federal sources	3,067,926	3,018,971	2,972,980	(45,991)
Interdistrict sources	8,000	8,000	4,482	(3,518)
<b>Total revenues</b>	<u>12,831,459</u>	<u>14,604,978</u>	<u>14,859,007</u>	<u>254,029</u>
<b>Expenditures</b>				
Current:				
Instruction	<u>1,823,928</u>	<u>2,151,041</u>	<u>1,967,739</u>	<u>(183,302)</u>
Supporting services:				
Pupil support	6,237,408	6,415,752	6,128,464	(287,288)
Instructional support	1,085,752	1,465,705	1,361,946	(103,759)
General administration	62,873	123,586	92,321	(31,265)
Business services	71,300	49,885	43,620	(6,265)
Operations and maintenance	267,975	327,750	204,899	(122,851)
Pupil transportation	6,500	4,100	2,595	(1,505)
Central services	<u>102,586</u>	<u>485,183</u>	<u>221,309</u>	<u>(263,874)</u>
Total supporting services	<u>7,834,394</u>	<u>8,871,961</u>	<u>8,055,154</u>	<u>(816,807)</u>
Community services	<u>18,948</u>	<u>52,447</u>	<u>52,046</u>	<u>(401)</u>
Capital outlay	<u>-</u>	<u>600,000</u>	<u>282,996</u>	<u>(317,004)</u>
Payments to other governments	<u>2,054,149</u>	<u>2,067,663</u>	<u>1,879,621</u>	<u>(188,042)</u>
<b>Total expenditures</b>	<u>11,731,419</u>	<u>13,743,112</u>	<u>12,237,556</u>	<u>(1,505,556)</u>
Revenues over expenditures	<u>1,100,040</u>	<u>861,866</u>	<u>2,621,451</u>	<u>1,759,585</u>

continued...

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Special Education Special Revenue Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Other financing sources (uses)</b>				
Transfers out	\$ (1,102,540)	\$ (1,664,366)	\$ (2,223,842)	\$ 559,476
Proceeds from sale of capital assets	2,500	2,500	2,238	(262)
<b>Total other financing sources (uses)</b>	<u>(1,100,040)</u>	<u>(1,661,866)</u>	<u>(2,221,604)</u>	<u>559,738</u>
<b>Net change in fund balance</b>	-	(800,000)	399,847	1,199,847
Fund balance, beginning of year	<u>4,501,534</u>	<u>4,501,534</u>	<u>4,501,534</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,501,534</u>	<u>\$ 3,701,534</u>	<u>\$ 4,901,381</u>	<u>\$ 1,199,847</u>

concluded

The accompanying notes are an integral part of these financial statements.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenues</b>				
Local sources	\$ 5,404,099	\$ 5,833,141	\$ 5,773,951	\$ (59,190)
State sources	1,131,154	1,357,797	1,304,684	(53,113)
Federal sources	133,930	155,897	155,897	-
Interdistrict sources	130,000	207,000	207,000	-
<b>Total revenues</b>	<u>6,799,183</u>	<u>7,553,835</u>	<u>7,441,532</u>	<u>(112,303)</u>
<b>Expenditures</b>				
Current:				
Instruction	<u>3,621,693</u>	<u>3,777,474</u>	<u>3,321,591</u>	<u>(455,883)</u>
Supporting services:				
Pupil support	508,188	473,015	460,797	(12,218)
Instructional support	415,253	539,930	471,207	(68,723)
General administration	42,223	30,051	21,908	(8,143)
School administration	250,775	257,076	255,953	(1,123)
Business services	54,428	18,975	12,561	(6,414)
Operations and maintenance	630,890	602,535	550,452	(52,083)
Pupil transportation	6,800	7,250	5,504	(1,746)
Central services	285,857	470,814	436,984	(33,830)
Other support services	116,091	143,717	115,180	(28,537)
Total supporting services	<u>2,310,505</u>	<u>2,543,363</u>	<u>2,330,546</u>	<u>(212,817)</u>
Community services	<u>40,111</u>	<u>56,140</u>	<u>47,265</u>	<u>(8,875)</u>
Payments to other governments	<u>-</u>	<u>5,998</u>	<u>5,998</u>	<u>-</u>
<b>Total expenditures</b>	<u>5,972,309</u>	<u>6,382,975</u>	<u>5,705,400</u>	<u>(677,575)</u>
Revenues over expenditures	<u>826,874</u>	<u>1,170,860</u>	<u>1,736,132</u>	<u>565,272</u>

continued...

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Career Technical Education Special Revenue Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 31,169	\$ 31,169	\$ -
Transfers out	(829,874)	(1,205,029)	(1,463,231)	258,202
Proceeds from sale of capital assets	3,000	3,000	-	(3,000)
<b>Total other financing sources (uses)</b>	<u>(826,874)</u>	<u>(1,170,860)</u>	<u>(1,432,062)</u>	<u>261,202</u>
<b>Net change in fund balance</b>	-	-	304,070	304,070
Fund balance, beginning of year	<u>3,613,754</u>	<u>3,613,754</u>	<u>3,613,754</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 3,613,754</u></u>	<u><u>\$ 3,613,754</u></u>	<u><u>\$ 3,917,824</u></u>	<u><u>\$ 304,070</u></u>

concluded

The accompanying notes are an integral part of these financial statements.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the RESA's Proportionate Share of the Net Pension Liability

	Year Ended June 30,			
	2024	2023	2022	2021
RESA's proportionate share of the net pension liability	\$ 36,699,209	\$ 39,555,775	\$ 23,420,125	\$ 34,027,477
RESA's proportion of the net pension liability	0.11339%	0.10518%	0.09892%	0.09906%
RESA's covered payroll	\$ 11,742,706	\$ 10,707,133	\$ 9,050,339	\$ 8,810,326
RESA's proportionate share of the net pension liability as a percentage of its covered payroll	312.53%	369.43%	258.78%	386.22%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%	59.72%

See notes to required supplementary information.



Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 33,479,974	\$ 30,793,988	\$ 26,496,967	\$ 25,328,439	\$ 24,670,237	\$ 20,683,941
0.10110%	0.10244%	0.10225%	0.10152%	0.10100%	0.09390%
\$ 8,830,624	\$ 8,756,126	\$ 8,582,004	\$ 8,595,289	\$ 8,417,858	\$ 7,971,466
379.13%	351.69%	308.75%	294.68%	293.07%	259.47%
60.31%	62.36%	642.21%	63.27%	63.17%	66.20%

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan  
Schedule of the RESA's Pension Contributions

	Year Ended June 30,			
	2024	2023	2022	2021
Statutorily required contributions	\$ 4,871,730	\$ 2,180,214	\$ 1,792,635	\$ 1,664,952
Contributions in relation to the statutorily required contributions	<u>(4,871,730)</u>	<u>(2,180,214)</u>	<u>(1,792,635)</u>	<u>(1,664,952)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RESA's covered payroll	\$ 12,501,745	\$ 11,393,835	\$ 9,940,456	\$ 8,896,394
Contributions as a percentage of covered payroll	38.97%	19.14%	18.03%	18.71%

Contributions information for 2015-2023 do not include UAAL Sec 147c amounts.

See notes to required supplementary information.





Year Ended June 30,					
2020	2019	2018	2017	2016	2015
\$ 1,623,463	\$ 1,531,921	\$ 1,497,138	\$ 1,562,616	\$ 1,676,489	\$ 1,824,855
<u>(1,623,463)</u>	<u>(1,531,921)</u>	<u>(1,497,138)</u>	<u>(1,562,616)</u>	<u>(1,676,489)</u>	<u>(1,824,855)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,824,410	\$ 8,811,809	\$ 8,677,355	\$ 8,972,498	\$ 8,492,496	\$ 8,385,350
18.40%	17.38%	17.25%	17.42%	19.74%	21.76%

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the RESA's Proportionate Share of the Net Other Postemployment Benefit (Asset) Liability

	Year Ended June 30,			
	2024	2023	2022	2021
RESA's proportionate share of the net OPEB (asset) liability	\$ (661,655)	\$ 2,318,292	\$ 1,518,108	\$ 5,304,121
RESA's proportion of the net OPEB asset/liability	0.11696%	0.10945%	0.09946%	0.09901%
RESA's covered payroll	\$ 11,742,706	\$ 10,707,133	\$ 9,050,339	\$ 8,810,326
RESA's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-5.63%	21.65%	16.77%	60.20%
Plan fiduciary net position as a percentage of the total OPEB liability	105.04%	83.09%	87.33%	59.44%

See notes to required supplementary information.



Year Ended June 30,		
2020	2019	2018
\$ 7,235,838	\$ 8,167,836	\$ 9,047,996
0.10081%	0.10275%	0.10217%
\$ 8,830,624	\$ 8,756,126	\$ 8,582,004
81.94%	93.28%	105.43%
48.46%	42.95%	36.39%

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Required Supplementary Information

MPSERS Cost-Sharing Multiple Employer Plan

Schedule of the RESA's Other Postemployment Benefit Contributions

	Year Ended June 30,			
	2024	2023	2022	2021
Statutorily required contributions	\$ 988,088	\$ 896,374	\$ 738,250	\$ 725,606
Contributions in relation to the statutorily required contributions	(988,088)	(896,374)	(738,250)	(725,606)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
RESA's covered payroll	\$ 12,501,745	\$ 11,393,835	\$ 9,940,456	\$ 8,896,394
Contributions as a percentage of covered payroll	7.90%	7.87%	7.43%	8.16%

See notes to required supplementary information.



Year Ended June 30,		
2020	2019	2018
\$ 700,680	\$ 681,687	\$ 611,284
<u>(700,680)</u>	<u>(681,687)</u>	<u>(611,284)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,824,410	\$ 8,811,809	\$ 8,677,355
7.94%	7.74%	7.04%

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Required Supplementary Information

### Pension Information

The amounts presented in the schedule of the RESA's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

### OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the RESA's Proportionate Share of the Net OPEB (Asset) Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Notes to Required Supplementary Information

#### OPEB Information (Concluded)

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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## **COMBINING FUND FINANCIAL STATEMENTS**

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2024

	Food Service	Debt Service	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 8,894	\$ -	\$ 8,894
Prepaid items	34	-	34
<b>Total assets</b>	<u>\$ 8,928</u>	<u>\$ -</u>	<u>\$ 8,928</u>
<b>Liabilities</b>			
Accrued liabilities	\$ 249	\$ -	\$ 249
Due to other governments	650	-	650
<b>Total liabilities</b>	<u>899</u>	<u>-</u>	<u>899</u>
<b>Fund balances</b>			
Nonspendable	34	-	34
Restricted	7,995	-	7,995
<b>Total fund balances</b>	<u>8,029</u>	<u>-</u>	<u>8,029</u>
<b>Total liabilities and fund balance</b>	<u>\$ 8,928</u>	<u>\$ -</u>	<u>\$ 8,928</u>

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Combining Statement of Revenues, Expenditures

and Changes in Fund Balances - Nonmajor Governmental Funds

For the Year Ended June 30, 2024

	Food Service	Debt Service	Totals
<b>Revenues</b>			
Local sources	\$ 118	\$ -	\$ 118
State sources	3,481	-	3,481
Federal sources	160,882	-	160,882
<b>Total revenues</b>	<u>164,481</u>	<u>-</u>	<u>164,481</u>
<b>Expenditures</b>			
Current:			
Food services	180,610	-	180,610
Debt service:			
Principal	-	155,000	155,000
Interest and fiscal charges	-	5,150	5,150
<b>Total expenditures</b>	<u>180,610</u>	<u>160,150</u>	<u>340,760</u>
Revenues under expenditures	(16,129)	(160,150)	(176,279)
<b>Other financing uses</b>			
Transfers out	-	(5,222)	(5,222)
<b>Net change in fund balances</b>	(16,129)	(165,372)	(181,501)
Fund balances, beginning of year	<u>24,158</u>	<u>165,372</u>	<u>189,530</u>
<b>Fund balances, end of year</b>	<u>\$ 8,029</u>	<u>\$ -</u>	<u>\$ 8,029</u>

NEWAYGO COUNTY  
REGIONAL  
EDUCATIONAL  
SERVICE AGENCY



Year Ended  
June 30, 2024

Single Audit Act  
Compliance

**Rehmann**

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# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

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## INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

October 11, 2024

Board of Education  
Newaygo County Regional Educational Service Agency  
Fruitport, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Newaygo County Regional Educational Service Agency** (the "RESA") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the RESA's basic financial statements. We issued our report thereon dated October 11, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rehmann Lobson LLC*





## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
<b>U.S. Department of Agriculture</b>				
Child and Adult Care Food Program:				
Child and Adult Care Food Program 124-824	10.558	MDE	241920	\$ 141,255
Child and Adult Care Food Program 1223	10.558	MDE	123-1223	155,131
CACFP - Cash-In-Lieu-of Commodities 124-824	10.558	MDE	242010	6,861
CACFP - Cash-In-Lieu-of Commodities 124-1223	10.558	MDE	123-1223	7,464
<b>Total U.S. Department of Agriculture</b>				
<b>U.S. Department of Treasury</b>				
COVID-19 State and Local Fiscal Recovery Fund:				
Coronavirus State Fiscal Rec 31 TRAILS 22-23/SLFR0127	21.027	MDE	232425	892,857
<b>U.S. Department of Education</b>				
Special Education Cluster:				
Individuals with Disabilities Education Act (IDEA) Flowthrough:				
IDEA Flowthrough 23-24/H027A230110	84.027A	MDE	240450	2,336,825
IDEA Flowthrough 22-23/H027A220110	84.027A	MDE	230450	2,214,142
Individuals with Disabilities Education Act (IDEA) Supervision:				
General Supervision 23-24/H027A230110	84.027A	MDE	240493	159,700
General Supervision 22-23/H027A220110	84.027A	MDE	230493	145,200
COVID-19 - IDEA Flowthrough American Rescue Plan -21-22 H027X210110	84.027X	MDE	221280	415,384
Individuals with Disabilities Education Act (IDEA) Preschool:				
Preschool 23-24/H173A230017	84.173A	MDE	240460	146,112
<b>Total Special Education Cluster</b>				
Secondary CTE Perkins Grant	84.048	MOISD	243520	155,897
Special Education Grants for Infants and Families with Disabilities:				
Early On-Infant and Toddler 23-24/H18A230012	84.181A	MDE	241340	99,757
Early On-Infant and Toddler 22-23/H18A220012	84.181A	MDE	231340	115,416
COVID-19 - Early On American Rescue Plan EOARP/H18X210012	84.181X	MDE	221283	40,339
Education for Homeless Children and Youth:				
Education for Homeless Children and Youth 23-24/S196A230023	84.196A	MDE	242320	134,923
Education for Homeless Children and Youth 22-23/S196A220023	84.196A	MDE	232320	126,522
Small, Rural Achievement	84.358A	Direct	S358A231584	38,080
Small, Rural Achievement	84.358A	Direct	S358A221543	30,001

Accrued (Unearned) Revenue July 1, 2023	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2024	Accrued (Unearned) Revenue June 30, 2024	Current Year Cash Transferred to Subrecipient
\$ -	\$ 141,255	\$ -	\$ 141,255	\$ -	\$ -
-	12,118	143,013	12,118	-	-
-	6,861	-	6,861	-	-
-	648	6,816	648	-	-
-	160,882	149,829	160,882	-	-
-	267,857	-	267,857	-	-
-	1,162,680	-	2,105,377	942,697	867,365
521,690	920,928	1,812,603	401,539	2,301	200,420
-	148,184	-	159,700	11,516	-
26,917	26,917	145,200	-	-	-
197,502	218,849	394,037	21,347	-	-
746,109	2,477,558	2,351,840	2,687,963	956,514	1,067,785
-	105,773	40,339	105,773	-	-
746,109	2,583,331	2,392,179	2,793,736	956,514	1,067,785
-	151,149	-	155,897	4,748	-
-	34,854	-	59,556	24,702	-
93,365	93,365	93,365	-	-	-
22,611	22,611	22,611	-	-	-
115,976	150,830	115,976	59,556	24,702	-
-	32,393	-	38,286	5,893	-
37,637	57,604	37,637	19,967	-	-
37,637	89,997	37,637	58,253	5,893	-
-	20,112	-	38,080	17,968	-
19,890	19,890	30,001	-	-	-
19,890	40,002	30,001	38,080	17,968	-

continued...

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Approved Grant Award Amount
<b>U.S. Department of Education (Concluded)</b>				
Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund:				
COVID-19 - ARP Homeless I	84.425W	MDE	211013	\$ 103,618
<b>Total U.S. Department of Education</b>				
<b>U.S. Department of Health and Human Services</b>				
Drug Free Communities	93.276	Direct	2H79SP020369-06	125,000
Drug Free Communities	93.276	Direct	2H79SP020369-06	125,000
Drug Free Communities	93.276	Direct	2H79SP020369-06	125,000
Preschool Development Grant Birth Through Five (PDG B-5):				
Trusted Advisor Grant 3.622/90TP0055	93.434	MDE	223910	32,500
Medicaid Assistance Cluster:				
Medicaid Outreach Program	93.778	MDHHS	N/A	147,828
State Opioid Response (SOR) Grant	93.788	MSN	N/A	15,000
Block Grants for Prevention and Treatment of Substance 22/23	93.959	MSN	7040	76,500
<b>Total U.S. Department of Health and Human Services</b>				
<b>Total Federal Financial Assistance</b>				

See notes to schedule of expenditures of federal awards.

Accrued (Unearned) Revenue July 1, 2023	Current Year Cash Received	Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2024	Accrued (Unearned) Revenue June 30, 2024	Current Year Cash Transferred to Subrecipient
\$ 32,866	\$ 73,910	\$ 37,338	\$ 55,457	\$ 14,413	\$ -
952,478	3,089,219	2,613,131	3,160,979	1,024,238	1,067,785
23,131	24,995	123,136	1,864	-	-
62,172	100,000	62,172	62,828	25,000	-
-	-	-	95,195	95,195	-
85,303	124,995	185,308	159,887	120,195	-
7,655	31,600	8,555	23,945	-	-
18,000	89,155	28,140	119,688	48,533	-
15,000	15,000	15,000	-	-	-
7,654	26,767	40,397	19,113	-	-
133,612	287,517	277,400	322,633	168,728	-
\$ 1,086,090	\$ 3,805,475	\$ 3,040,360	\$ 3,912,351	\$ 1,192,966	\$ 1,067,785

concluded

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Schedule of Expenditures of Federal Awards Provided to Subrecipients

For the Year Ended June 30, 2024

Federal Agency / Cluster / Passed Through Grantor/Program Title	Assistance Listing Number	Subrecipient Award	Due To (From) Subrecipient July 1, 2023	Current Year Cash Transferred
<b>U.S. Department of Education</b>				
Special Education Cluster:				
Fremont Public Schools:				
IDEA Flowthrough 240450/23/24	84.027A	\$ 318,133	\$ -	\$ 255,704
IDEA Flowthrough 230450/22/23	84.027A	322,441	47,714	47,714
			<u>47,714</u>	<u>303,418</u>
Grant Public Schools:				
IDEA Flowthrough 240450/23/24	84.027A	262,455	-	200,850
IDEA Flowthrough 230450/22/23	84.027A	252,032	49,187	49,187
			<u>49,187</u>	<u>250,037</u>
Hesperia Community Schools:				
IDEA Flowthrough 240450/23/24	84.027A	136,531	-	115,526
IDEA Flowthrough 230450/22/23	84.027A	143,497	76,333	76,333
			<u>76,333</u>	<u>191,859</u>
Newaygo Public Schools:				
IDEA Flowthrough 240450/23/24	84.027A	237,636	-	132,377
IDEA Flowthrough 230450/22/23	84.027A	231,132	-	-
			<u>-</u>	<u>132,377</u>
White Cloud Public Schools:				
IDEA Flowthrough 240450/23/24	84.027A	162,908	-	162,908
IDEA Flowthrough 230450/22/23	84.027A	155,047	27,186	27,186
			<u>27,186</u>	<u>190,094</u>
<b>Total U.S. Department of Education / Subawards</b>			<u>\$ 200,420</u>	<u>\$ 1,067,785</u>

See notes to schedule of expenditures of federal awards.

Expenditures (Memo Only) Prior Year(s)	Expenditures Year Ended June 30, 2024	Due To (From) Subrecipient July 1, 2024
\$ -	\$ 318,133	\$ 62,429
322,441	-	-
322,441	318,133	62,429
-	262,455	61,605
252,032	-	-
252,032	262,455	61,605
-	136,531	21,005
143,497	-	-
143,497	136,531	21,005
-	237,636	105,259
231,132	-	-
231,132	237,636	105,259
-	162,908	-
155,047	-	-
155,047	162,908	-
\$ 1,104,149	\$ 1,117,663	\$ 250,298

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Notes to Schedule of Expenditures of Federal Awards

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Newaygo County Regional Education Service Agency (the "RESA") under programs of the federal government for the year ended June 30, 2024. 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 the RESA, it is not intended to and does not present the financial position or changes in net position of the RESA.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the RESA's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grant Auditor Report reconcile with this Schedule.

### 2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the RESA has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

**NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY**

**Notes to Schedule of Expenditures of Federal Awards**

**3. PASS-THROUGH AGENCIES**

The RESA receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

<b>Pass-through Agency Abbreviation</b>	<b>Pass-through Agency Name</b>
MDE	Michigan Department of Education
MOISD	Mecosta-Osceola Intermediate School District
MDHHS	Michigan Department of Health and Human Services
MSN	Mid-State Network

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 11, 2024

Board of Education  
Newaygo County Regional Educational Service Agency  
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, business-type activities, each major fund, and the aggregate remaining fund information of the ***Newaygo County Regional Educational Service Agency*** (the "RESA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the RESA's basic financial statements, and have issued our report thereon dated October 11, 2024.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the RESA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the RESA's financial statements are free from 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*.

## **Newaygo County RESA's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the RESA's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The RESA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 RESA'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.

A handwritten signature in black ink that reads "Rehmann Loborn LLC". The signature is written in a cursive, flowing style.

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 11, 2024

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

### Report on Compliance for the Major Federal Program

#### *Opinion on the Major Federal Program*

We have audited the compliance of the Newaygo County Regional Educational Service Agency (the "RESA") with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the RESA's major federal program for the year ended June 30, 2024. The RESA's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the RESA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

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



### ***Responsibilities of Management for Compliance***

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

### ***Independent Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

### ***Purpose of this Report***

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.

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# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?            yes     X     no

Significant deficiency(ies) identified?     X     yes            none reported

Noncompliance material to financial statements noted?            yes     X     no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?            yes     X     no

Significant deficiency(ies) identified?            yes     X     none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 § 200.516?            yes     X     no

Identification of major programs and type of auditor's report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
----------------------------------	---	-----------------------

84.027A, 84.027X, 84.173A	Special Education Cluster	Unmodified
---------------------------	---------------------------	------------

Dollar threshold used to distinguish between Type A and Type B programs:     \$    750,000    

Auditee qualified as low-risk auditee?     X     yes            no

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### 2024-001 - Capital Assets

**Finding Type.** Significant Deficiency in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for establishing effective internal controls to safeguard the RESA's assets and to prevent or detect misstatements to the financial statements.

**Condition.** During our testing of capital assets, we noted that construction in progress amounts were recorded to the wrong activity and a disposal in prior year was not accounted for correctly in the prior year.

**Cause.** This condition was the result of internal controls not detecting all adjustments necessary to properly state and reconcile year-end balances.

**Effect.** As a result of this condition, the RESA was exposed to the increase likelihood that material misstatements to the financial statements will go undetected.

**Recommendation.** We recommend that the RESA prepare, review, and reconcile all year-end capital asset schedules that are used in financial reporting prior to audit fieldwork.

**View of Responsible Officials.** We concur with the audit assessment regarding this matter.

**Responsible Official.** Chief Financial Officer



## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### **Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2024

#### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### **Summary Schedule of Prior Audit Findings**

For the Year Ended June 30, 2024

None reported.

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## Corrective Action Plan

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in the ***Newaygo County Regional Educational Service Agency*** Single Audit report for the year ended June 30, 2024, and corrective actions to be completed.

### **2024-001 - Capital Assets**

**Auditor Description of Condition and Effect.** During our testing of capital assets, we noted that construction in progress amounts were recorded to the wrong activity and a disposal in prior year was not accounted for correctly in the prior year. As a result of this condition, the RESA was exposed to the increase likelihood that material misstatements to the financial statements will go undetected.

**Auditor Recommendation.** We recommend that the RESA prepare, review, and reconcile all year-end capital asset schedules that are used in financial reporting prior to audit fieldwork.

**Corrective Action.** Newaygo County RESA Chief Financial Officer will review the final year-end capital asset schedules to verify that all assets are correctly accounted for in the correct funds/groups in the financial report.

**Responsible Person.** Jodi Dekuiper, CFO

**Anticipated Completion Date.** June 30, 2025

## INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 11, 2024

Board of Education  
Newaygo County RESA  
Fremont, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the **Newaygo County Regional Educational Service Agency** (the "RESA"), as of and for the year ended June 30, 2024, and have issued our report thereon dated October 11, 2024. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our engagement letter dated July 17, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the RESA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated October 11, 2024.



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

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on August 29, 2024.

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

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

## **Qualitative Aspects of the RESA's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the RESA is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The financial statements include a net pension liability and a net other postemployment benefit asset and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

## **Significant Difficulties Encountered During the Audit**

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

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

The schedule of adjustments passed is included with management's written representations in Attachment B to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

**Disagreements with Management**

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

**Representations Requested from Management**

We have requested certain written representations from management, which are included in Attachment B to this letter.

**Management's Consultations with Other Accountants**

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

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

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

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

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Upcoming Changes in Accounting Standards**

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

# NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

## ■ Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2024 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the RESA in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the RESA. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 101 ■ Compensated Absences**

*Effective 12/15/2024 (your FY 2025)*

This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.

### **GASB 102 ■ Certain Risk Disclosures**

*Effective 06/15/2025 (your FY 2025)*

This standard requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. We do not expect this standard to have any significant effect on the RESA.

### **GASB 103 ■ Financial Reporting Model Improvements**

*Effective 06/15/2026 (your FY 2026)*

This standard establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a. management’s discussion and analysis (MD&A), b. unusual or infrequent items, c. presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, d. information about major component units in basic financial statements, e. budgetary comparison information, and f. financial trends information in the statistical section.

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## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### **Attachment B – Management Representations**

For the June 30, 2024 Audit

The following pages contain the written representations that we requested from management.

October 11, 2024

Rehmann Robson  
2330 East Paris Ave, SE  
Grand Rapids, MI 49546

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Newaygo County Regional Educational Service Agency (the "RESA"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the RESA in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 11, 2024:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 17, 2024, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. With respect to the nonattest services provided, which include any assistance you provided in drafting the financial statements and related notes, proposing standard, adjusting or conversion journal entries, proposing standard, adjusting, or conversion journal entries, assistance with maintaining/updating a GASB 68 template for pension, assistance with maintaining/updating a GASB 75 template for OPEB, assistance in completing portions of the Data Collection form, we have performed the following:
  - a. Made all management decisions and performed all management functions;
  - b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.

4. We acknowledge our responsibility for 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.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
11. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. All funds and activities are properly classified.
13. All funds that meet the quantitative GASB criteria for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.

20. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
21. We are responsible for the fair presentation of the RESA's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPERS) and related amounts. We provided MPERS with complete and accurate information regarding the RESA's participation in the plan, and have reviewed the information provided by MPERS for inclusion in the District's financial statements.

### **Information Provided**

22. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
25. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
26. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
27. We have no knowledge of any that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
28. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. We have a process to track the status of audit findings and recommendations.
30. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
31. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

32. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
33. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
34. The RESA has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
35. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
36. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
37. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
38. The RESA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
39. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
40. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### **Supplementary Information in Relation to the Financial Statements as a Whole**

41. With respect to the supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

### **Required Supplementary Information**

42. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

### **Uniform Guidance (2 CFR 200)**

43. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
  - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
  - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
  - d. The methods of measurement or presentation have not changed from those used in the prior period.
  - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
  - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
  - g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
  - h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
  - i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.

- j. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- l. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- m. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- p. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- q. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have monitored subrecipients to determine if they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.
- u. We have issued management decisions timely after the receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that the subrecipients have taken the appropriate and timely corrective action on findings.
- v. We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.

- w. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- x. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- y. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- z. The reporting package does not contain protected personally identifiable information.
- aa. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- bb. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- cc. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



[Blake Prewitt \(Oct 11, 2024 10:08 EDT\)](#)

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Blake Prewitt, Superintendent



[Jodi DeKuiper \(Oct 11, 2024 09:16 EDT\)](#)

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Jodi DeKuiper, CFO



## NEWAYGO COUNTY REGIONAL EDUCATIONAL SERVICE AGENCY

### Schedule of Adjustments Passed (SOAP)

For the June 30, 2024 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
<b>Governmental activities</b>					
Construction in progress recorded to the wrong activity (corrected in the current year)	\$ -	\$ -	\$ 283,978	\$ -	\$ 283,978
Prior year capital asset disposal (corrected in the current year)	-	-	376,973	-	376,973
<b>Total governmental activities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,951</u>	<u>\$ -</u>	<u>\$ 660,951</u>
<b>Misstatement as a percentage of total assets and deferred outflows of resources - governmental activities</b>	0.00%	0.00%	1.15%	0.00%	1.15%
<b>Business-type activities</b>					
Construction in progress recorded to the wrong activity (corrected in the current year)	\$ -	\$ -	\$ (283,978)	\$ -	\$ (283,978)
Variable lease asset and liability incorrectly recorded in prior years (corrected in the current year)	-	-	44,439	-	44,439
<b>Total governmental activities</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (239,539)</u>	<u>\$ -</u>	<u>\$ (239,539)</u>
<b>Misstatement as a percentage of total assets and deferred outflows of resources - business-type activities</b>	0.00%	0.00%	-3.08%	0.00%	-3.08%