

PIONEER REGIONAL EDUCATIONAL SERVICE AGENCY
CLEVELAND, GEORGIA

FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020
(Including Independent Auditor's Report)

PIONEER REGIONAL EDUCATIONAL SERVICE AGENCY

- TABLE OF CONTENTS -

	Page
FINANCIAL REPORT	
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENT	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	1
NOTES TO THE FINANCIAL STATEMENT	2

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FINANCIAL REPORT

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Executive Director and Members of the
Pioneer Regional Educational Service Agency Board of Control

Report on the Financial Statement

We have audited the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances and the related notes (financial statement) of the Pioneer Regional Educational Service Agency (RESA), as of and for the year ended June 30, 2020.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the RESA's preparation and fair presentation of the financial statement 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

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Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective changes in fund balances of the general fund and the capital projects fund, for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statement, the Statement of Revenues, Expenditures and Changes in Fund Balance was prepared for the purpose of meeting the requirements of the RESA and Georgia Department of Education and is not intended to be a complete presentation of the RESA's assets, liabilities, revenues and expenses nor does it constitute a complete set of financial statements in accordance with generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the RESA's management, the Board of Control, and the Georgia Department of Education and is not intended to be and should not be used by any other parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

July 9, 2021

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PIONEER REGIONAL EDUCATIONAL SERVICE AGENCY

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PIONEER REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES			
State Funds	$ 4,091,466.77	$ 807,084.77	$ 4,898,551.54
Federal Funds	1,207,931.86	-	1,207,931.86
Investment Earnings	24,505.79	-	24,505.79
Miscellaneous	5,708,182.88	182,778.00	5,890,960.88
Total Revenues	11,032,087.30	989,862.77	12,021,950.07
EXPENDITURES			
Current			
Instruction	4,446,606.99	-	4,446,606.99
Support Services			
Pupil Services	538,312.14	-	538,312.14
Improvement of Instructional Services	3,762,988.01	-	3,762,988.01
General Administration	378,690.12	-	378,690.12
Business Administration	268,465.48	31,873.80	300,339.28
Maintenance and Operation of Plant	310,231.23	-	310,231.23
Central Support Services	5,610.71	-	5,610.71
Other Support Services	555,546.43	-	555,546.43
Capital Outlay	-	2,978,649.80	2,978,649.80
Debt Service			
Principal	-	269,662.30	269,662.30
Interest	-	30,528.55	30,528.55
Total Expenditures	10,266,451.11	3,310,714.45	13,577,165.56
Excess Revenues over (under) Expenditures	765,636.19	(2,320,851.68)	(1,555,215.49)
OTHER FINANCING SOURCES			
Other Long Term Debt Proceeds	-	2,290,176.58	2,290,176.58
Net Change in Fund Balances	765,636.19	(30,675.10)	734,961.09
Fund Balances - Beginning	2,558,450.30	(166,316.37)	2,392,133.93
Fund Balances - Ending	$ 3,324,086.49	$ (196,991.47)	$ 3,127,095.02

NOTE 1: DESCRIPTION OF REGIONAL EDUCATIONAL SERVICE AGENCY

REPORTING ENTITY

The Pioneer Regional Educational Service Agency (RESA) was created by the General Assembly to provide shared services to improve the effectiveness of educational programs and services of local school systems, to provide instructional programs directly to selected local school systems, and to provide Georgia Learning Resources System services.

RESAs are neither county nor independent school systems. Rather, they are service agencies, partly funded by the state, created to provide educational and support services to a group of school systems. Official Code of Georgia Annotated (O.C.G.A.) §20-2-270.1 and §20-2-271 enumerates the specific kinds of assistance RESAs must provide to member school systems. Each RESA is governed by a board of control composed of the school superintendent of each member school system, the president or highest administrator of each member postsecondary institution, and a local public or regional library director appointed by the director of the Office of Public Library Services of the Board of Regents of the University System of Georgia. RESAs are subject to the rules of the State Board of Education that govern local school systems except where explicitly stated otherwise.

RESAs may acquire, lease, purchase, lease purchase, or dispose of real or personal property and may incur debts for those purposes subject to the approval of the board of control. The property will be held in the name of the RESA. RESAs may sell or provide at a reasonable cost goods to Georgia private schools. RESAs also may provide services relating to non-educational areas such as sales and service of audio-visual equipment, sales of office supplies and consumable educational materials. RESAs have latitude to identify and provide within their available resources other non-educational services to member school systems.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances of the RESA has been prepared for the purpose of meeting the requirements of the RESA and Georgia Department of Education. The Statement of Revenues, Expenditures and Changes in Fund Balances is not intended to be a complete presentation of the RESA's assets, liabilities, revenues, and expenses nor does it constitute a complete set of financial statements in accordance with generally accepted accounting principles. The more significant of the RESA's accounting policies are described below.

BASIS OF PRESENTATION

The RESA reports two major governmental funds, the general fund, which is the RESA's primary operating fund and the capital projects fund, which is used to segregate the costs associated with remodeling a building donated for the RESA's Georgia Network for Educational and Therapeutic Support (GNETS) program.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The RESA uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The RESA considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Interest is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The RESA funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net resources available to finance the program. It is the RESA's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2020, the RESA adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and Implementation Guides that first became effective or are scheduled to become effective for period beginning after June 15, 2018, and later.

DEPRECIATION EXPENSE

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives. Depreciation expense for the year ended June 30,2020 was $172,934.83 and was charged to business administration. Capitalization thresholds and estimated useful lives of capital assets are as follows:

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	$ 10,000.00 or more	20 years
Buildings and Improvements	$ 10,000.00 or more	20 to 50 years
Equipment	$ 5,000.00 or more	5 to 7 years
Intangible Assets	$ 10,000.00 or more	5 to 20 years

USE OF ESTIMATES

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

NOTE 3: LEASES

OPERATING LEASES

The RESA leases an office building, copiers, a water cooler, and postage machines under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled $51,443.74 and $1,280.00 for the general fund and for the proprietary fund, respectively for the year ended June 30, 2020. The following future minimum lease payments were required under operating leases at June 30, 2020:

Year Ending		
2021	$	31,175.56
2022		30,839.56
2023		30,839.56
2024 - 2025		56,584.34
Total	$	149,439.02

NOTE 4: INSTALLMENT SALES AGREEMENT

In August 2019, the RESA entered into an installment sales agreement with United Community Bank for $2,461,948.00 to complete a project to build an addition of 12 classrooms and a multi-purpose gym. The final amount financed totaled $2,290,176.58 for 7 years at 2.81%. This amount is to be divided among participating member school districts with 7 annual payments to Pioneer RESA until the balance is paid. The RESA is contractually responsible to make monthly principal and interest payments to United Community Bank.

The RESA's installment sales agreement is a direct borrowing. In the event the RESA should fail to make any of the installment payments in full, or the purchase price is not paid in full, together with all other obligations arising under the installment purchase agreement, the seller has the right to demand that the RESA convey the project back to the seller, and upon such demand the RESA agrees to convey the project back to the seller immediately.

The following is a schedule of Installment Sales Agreement payments:

Fiscal Year Ended June 30:	Principal	Interest
2021	$ 334,585.21	$ 53,255.63
2022	344,885.56	42,955.28
2023	354,702.64	33,138.20
2024	364,799.16	23,041.68
2025	375,183.08	12,657.76
2026	246,358.63	2,524.05
	$ 2,020,514.28	$ 167,572.60

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description: Certified teachers and non-certified public school employees of the RESA as defined in §20-2-875 of the Official Code of Georgia Annotated (O.C.G.A.) are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits Provided: The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Contributions: As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the RESA were $175,137.00 for the year ended June 30, 2020. Active employees are not required to contribute to the School OPEB Fund.

NOTE 6: RETIREMENT PLANS

The RESA participates in a retirement plan administered by the State of Georgia, as further explained below.

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the RESA as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by O.C.G.A. §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2020. The RESA's contractually required contribution rate for the year ended June 30, 2020 was 21.14% of annual RESA payroll. For the current fiscal year, employer contributions to the pension plan were $1.207,964.34 from the RESA.

NOTE 7: DEFICIT FUND BALANCE

The capital projects fund reported a deficit fund balance at the fiscal year-end of $196,991.47. The RESA plans to fund this deficit with Georgia Network for Education and Therapeutic Support (GNETS) capital projects grant funds from the Georgia Department of Education and contributions from local GNETS center member school districts.