

FINANCIAL REPORT • FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Pioneer Regional Educational Service Agency

Cleveland, Georgia

Including Independent Auditor's Report

Greg S. Griffin | State Auditor
Kristina A. Turner | Deputy State Auditor

DOAA
Georgia Department of Audits & Accounts

Pioneer Regional Educational Service Agency

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DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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
Mr. Justin Old, Executive Director and Members of the
Pioneer Regional Educational Service Agency Board of Control

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), a component unit of the State of Georgia, as of and for the year ended June 30, 2021.

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.

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, capital projects fund and the related notes for the year ended June 30, 2021 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 Balances was prepared for the purpose of meeting the requirements of the RESA and the 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, members of the Board of Control, and the Georgia Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

September 12, 2022

Pioneer Regional Educational Service Agency

PIONEER REGIONAL EDUCATIONAL SERVICE AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
REVENUES			
State Funds	$ 4,160,728.01	$ -	$ 4,160,728.01
Federal Funds	1,843,981.99	-	1,843,981.99
Investment Earnings	2,992.28	-	2,992.28
Miscellaneous	5,547,146.66	341,315.40	5,888,462.06
Total Revenues	11,554,848.94	341,315.40	11,896,164.34
EXPENDITURES			
Current			
Instruction	4,766,476.67	-	4,766,476.67
Support Services			
Pupil Services	620,929.72	-	620,929.72
Improvement of Instructional Services	3,791,547.54	-	3,791,547.54
General Administration	476,248.35	-	476,248.35
Business Administration	274,282.44	-	274,282.44
Maintenance and Operation of Plant	386,502.30	-	386,502.30
Other Support Services	441,150.26	-	441,150.26
Debt Service			
Principal	-	334,585.21	334,585.21
Interest	-	53,255.63	53,255.63
Total Expenditures	10,757,137.28	387,840.84	11,144,978.12
Net Change in Fund Balances	797,711.66	(46,525.44)	751,186.22
Fund Balances - Beginning	3,324,086.49	(196,991.47)	3,127,095.02
Fund Balances - Ending	$ 4,121,798.15	$ (243,516.91)	$ 3,878,281.24

The notes to the financial statement are an integral part of this statement.

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NOTE 1: DESCRIPTION OF REGIONAL EDUCATIONAL SERVICE AGENCY

REPORTING ENTITY

The Pioneer Regional Educational Service Agency (RESA), a component unit of the State of Georgia 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 the following major governmental funds, the general fund, which is the RESA's primary operating fund and the capital projects fund, which accounts for resources and costs associated with capital outlay, 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 statement. 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. 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 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 Pronouncements

In fiscal year 2021, the RESA adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The adoption of this statement did not have an impact on the RESA's financial statement.

In fiscal year 2021, the RESA adopted Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*. It defines a majority equity interest and specifies that majority equity interest in a legal separate organization should be reported as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The adoption of this statement did not have an impact on the RESA's financial statement.

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, 2021, was $356,917.66 and was charged to maintenance and operation of plant. 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	20-50 years
Equipment	$ 5,000.00 or more	5-7 years
Intangible Assets	$ 10,000.00 or more	5-20 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 and office equipment under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating lease(s) totaled $36,840.56 for the General Fund for the year ended June 30, 2021. The following future minimum lease payments were required under operating leases at June 30, 2021:

Year Ending		
2022	$	36,554.89
2023		36,400.00
2024		30,220.00
2025		25,435.00
Total	$	128,609.89

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.

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 post-employment 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. Information about the OPEB plan is available in the Annual Comprehensive Financial Report, which is publicly available at http://sao.georgia.gov/statewide-reporting/acfr.

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 $206,142.00 for the year ended June 30, 2021. Active employees are not required to contribute to the School OPEB Fund.

NOTE 6: RETIREMENT PLANS

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 2021. The RESA's contractually required contribution rate for the year ended June 30, 2021, was 19.06% of annual RESA payroll. For the current fiscal year, employer contributions to the pension plan were $1,151,126.00 from the RESA.

NOTE 7: DEFICIT FUND BALANCE

The capital projects fund reported a deficit fund balance at the fiscal year-end of $243,516.91. The RESA plans to fund this deficit with contributions from Georgia Network for Education and Therapeutic Support (GNETS) center member school districts.