



ANNUAL FINANCIAL REPORT • FISCAL YEAR 2023

# Northeast Georgia Regional Educational Service Agency

Winterville, Georgia

Including Independent Auditor's Report

Greg S. Griffin | State Auditor



**DOAA**

Georgia Department  
of Audits & Accounts

# Northeast Georgia Regional Educational Service Agency

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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  
Mrs. Laurie Allison, Executive Director and Members of the  
Northeast Georgia Regional Educational Service Agency Board of Control

### ***Opinion***

We have audited the Statement of Revenues, Expenditures, and Changes in Fund Balance and the related notes (financial statement) of the Northeast Georgia Regional Educational Service Agency (RESA), a component unit of the State of Georgia, as of and for the year ended June 30, 2023.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective changes in fund balance of the general fund and the related notes of the RESA for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* 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 opinion.

### ***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 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.

## ***Responsibilities of Management 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 and for 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.

In preparing the financial statement, 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 date of the financial statement, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 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 statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 statement.
- 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.

***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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin  
State Auditor

August 8, 2024

**Northeast Georgia Regional Educational Service Agency**

NORTHEAST GEORGIA REGIONAL EDUCATIONAL SERVICE AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2023

		GENERAL FUND
<hr/>		
<u>REVENUES</u>		
State Funds	\$	2,450,903.38
Federal Funds		1,584,981.56
Charges for Services		684,832.05
Investment Earnings		145.85
Miscellaneous		7,107,865.41
Total Revenues		<u>11,828,728.25</u>
 <u>EXPENDITURES</u>		
Current		
Instruction		3,753,877.71
Support Services		
Pupil Services		3,066,558.05
Improvement of Instructional Services		3,380,577.40
General Administration		314,139.49
School Administration		299,172.47
Business Administration		234,636.95
Maintenance and Operation of Plant		529,222.21
Debt Service		
Principal		31,527.48
Interest		4,522.52
Total Expenditures		<u>11,614,234.28</u>
Net Change in Fund Balance		214,493.97
Fund Balance - Beginning		<u>3,343,773.14</u>
Fund Balance - Ending	\$	<u><u>3,558,267.11</u></u>

**NORTHEAST GEORGIA REGIONAL EDUCATIONAL SERVICE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**JUNE 30, 2023**

**NOTE 1: DESCRIPTION OF REGIONAL EDUCATIONAL SERVICE AGENCY**

**Reporting Entity**

The Northeast Georgia 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, 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 Balance 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 Balance 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 one major governmental fund, the general fund, which is the RESA's primary operating fund.

**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 certain revenues reported in the governmental funds to be available



**NORTHEAST GEORGIA REGIONAL EDUCATIONAL SERVICE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENT**  
**JUNE 30, 2023**

if they are collected within sixty days after year-end. The RESA considers intergovernmental revenues to be available if they are collected within 120 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.

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 Pronouncement**

In fiscal year 2023, the RESA adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement defines subscription-based information technology arrangements and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. Under this statement, a government is required to recognize a subscription liability and an intangible right-to-use asset for contracts that meet the definition of a subscription-based information technology arrangement. The adoption of this statement did not have a material impact on the RESA's financial statement.

**Depreciation Expense**

Depreciation is computed using the straight-line method for all assets, except land and is used to allocate the actual or estimated historical cost of capital assets over their estimated useful lives. Depreciation expense for the year ended June 30, 2023, was \$39,957.14 and was charged to maintenance and operations of plant. Capitalization thresholds and estimated useful lives of depreciable capital assets are as follows:

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 50,000.00	Up to 50 years
Buildings and Improvements	\$ 100,000.00	10 - 50 years
Equipment	\$ 20,000.00	5 - 10 years
Intangible Assets	\$ 100,000.00	10 - 20 years

NORTHEAST GEORGIA REGIONAL EDUCATIONAL SERVICE AGENCY  
 NOTES TO THE FINANCIAL STATEMENT  
 JUNE 30, 2023

**Amortization Expense**

Intangible right-to-use assets are amortized using the straight-line basis over the shorter of the lease or subscription term or useful life of the underlying asset. Amortization expense for the year ended June 30, 2023, was \$37,934.36 and was charged to business administration. Amortization thresholds of intangible right-to-use assets are as follows:

		Capitalization Policy
Land	\$	20,000.00
Land Improvements	\$	20,000.00
Buildings and Improvements	\$	20,000.00
Equipment	\$	20,000.00
Subscription Assets	\$	100,000.00

**Use of Estimates**

The preparation of the financial statements 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 statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3: LEASES**

The RESA has acquired copiers under the provisions of a contract that conveys control of the right to use another entity’s assets for a period of time in an exchange or exchange-like transaction. The contract is classified as a lease for accounting purposes. Expenditures under the terms of the lease totaled \$11,338.53 for the general fund for the year ended June 30, 2023.

**NOTE 4: SUBSCRIPTION AGREEMENTS**

The RESA has entered into a subscription-based contract to use vendor-provided information technology (IT) under the provisions of a contract that conveys control of the right-to-use another entity’s asset for a period of time in an exchange or exchange-like transaction. The RESA is contractually responsible to make annual principal and interest payments as required in the agreement. Expenditures under the terms of the agreement totaled \$36,050.00 for the general fund for the year ended June 30, 2023.

**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 <https://sao.georgia.gov/statewide-reporting/acfr>.

NORTHEAST GEORGIA REGIONAL EDUCATIONAL SERVICE AGENCY  
NOTES TO THE FINANCIAL STATEMENT  
JUNE 30, 2023

**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 \$153,638.00 for the year ended June 30, 2023. 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](http://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 2023. The RESA's contractually required contribution rate for the year ended June 30, 2023, was 19.98% of annual RESA payroll. For the current fiscal year, employer contributions to the pension plan were \$1,031,288.22 from the RESA.