

**Fiscal  
Year  
2011**

# **Georgia Public Telecommunication Commission**

**A Component Unit of the State of Georgia**

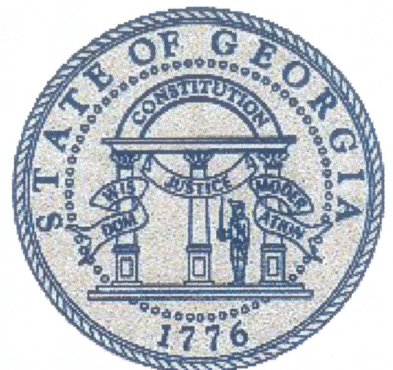
## **Audit Report**

**For the Fiscal Year  
Ended June 30, 2011**

**Department of  
Audits and Accounts**

**Russell W. Hinton  
State Auditor**

**State Government Division  
John A. Thornton, Director**



GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

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**SECTION I**  
**FINANCIAL**







# DEPARTMENT OF AUDITS AND ACCOUNTS

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Atlanta, Georgia 30334

**RUSSELL W. HINTON**

STATE AUDITOR

(404) 656-2174

## INDEPENDENT AUDITOR'S REPORT

Honorable Nathan Deal, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Georgia Public Telecommunications Commission  
and  
Honorable Teya Ryan, President and Executive Director

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Georgia Public Telecommunications Commission, a component unit of the State of Georgia, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Georgia Public Telecommunications Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Georgia Public Telecommunications Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Georgia Public Telecommunications Commission, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



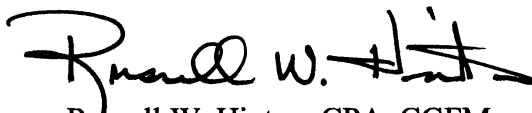
As discussed in Note 1 to the basic financial statements, the general fund includes the financial activity of its blended component unit, The Foundation for Public Broadcasting in Georgia Incorporated (Foundation). Blending the Foundation's financial activity with the general fund of the Commission, however, is not in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB statement 14, as amended by statement 34) which prescribes that a general fund of a component unit be reported as a special revenue fund. We believe, however, this departure from GAAP does not cause the financial statements to be misleading, but rather more accurately depicts the unique relationship between the Commission and the Foundation.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011 on our consideration of the Georgia Public Telecommunications Commission'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis information on pages 5 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Georgia Public Telecommunications Commission's basic financial statements. The Schedule of Revenues and Expenditures-Budget and Actual-General Fund and the Analysis of Financial Activity of Blended Component Unit (Schedules 1 through 3) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Revenues and Expenditures-Budget and Actual-General Fund and the Analysis of Financial Activity of Blended Component Unit (Schedules 1 through 3) has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton", with a stylized flourish at the end.

Russell W. Hinton, CPA, CGFM  
State Auditor

September 30, 2011

RWH:ya



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial performance of Georgia Public Telecommunications Commission (d/b/a Georgia Public Broadcasting, GPB). It provides an overview of the activities for the fiscal year ended June 30, 2011 and compares them to fiscal year ended June 30, 2010. Georgia Public Broadcasting provides educational, instructional and public broadcasting services to the citizens of the State of Georgia. It is designed to be read in conjunction with the Georgia Public Broadcasting financial statements that follow this section.

### HIGHLIGHTS

#### **Net Assets**

As of the close of fiscal year 2011, Georgia Public Broadcasting's combined ending net assets totaled \$34,509,318.57. Of this total, \$24,511,459.85 is invested in capital assets; and \$9,997,858.72 is unrestricted.

#### **Long-term Debt**

GPB's total long-term debt obligations consist of \$1,093,707.80 in compensated absences.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Georgia Public Broadcasting's basic financial statements. GPB's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide a broad overview of Georgia Public Broadcasting's finances, in a manner similar to private-sector business reports.

The *Statement of Net Assets* presents information on all GPB assets and liabilities, with the difference between the two reported as *Net Assets*. Over time, increases or decreases in net assets should serve as a useful indicator of whether the financial position of Georgia Public Broadcasting is improving or deteriorating.

The *Statement of Activities* presents information showing how GPB's net assets have changed during the most recent fiscal year. All changes in net assets 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 unused vacation leave).

The government-wide financial statements only include the operations of Georgia Public Broadcasting. The Commission is considered a component unit of the State of Georgia for financial reporting purposes because of the significance of GPB's legal, operational and financial relationships with the State of Georgia. These reporting entity relationships



are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Georgia Public Broadcasting, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All GPB funds can be classified into the category of *governmental funds*.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. 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*.

Georgia Public Broadcasting maintains three individual governmental funds. The General Fund is a major fund and is used to account for all activities of the Commission not otherwise accounted for by specific funds. The Capital Projects Fund, also a major fund, is used to account for the financial resources provided for the digital conversion of towers and transmitters. The Permanent Fund for the Commission is used to account for funds bequeathed to the Foundation for Public Broadcasting in Georgia, Inc. (blended component unit of the Commission). It is a Non-major fund. The permanent fund is classified as non-spendable fund balance where the principal endowment is held in perpetuity and contractually required to be maintained intact. The interest earned on the endowment can be used in accordance with periodic determinations of the needs of WSVH as determined by the Foundation's Board of Directors. The endowment was initially established more than 20 years ago and had a value of less than \$100,000. Given the low interest rates in the current economic environment and balance of the endowment it was dissolved in accordance with statutory requirements and upon approval of the Foundation's Board of Directors in May 2011. The funds were transferred to the General Fund in order to support the relocation of WSVH-FM studios from Skidaway Island to a new studio and facility at Armstrong Atlantic State University. This opportunity to relocate WSVH-FM and dissolving the endowment to fund the effort assures the wishes of the original intent of the donation to support the operations of WSVH-FM.

**Notes To Financial Statements.** Notes to financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the Basic Financial Statements section of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents a General Fund Statement of Revenues and Expenditures Budget and Actual statement.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Georgia Public Telecommunications Commission Net Assets

	<u>FY 2011</u>	<u>FY 2010</u>
Capital Assets, Net of Depreciation	\$ 24,511,459.85	\$ 24,066,923.57
Other Assets	<u>11,648,098.36</u>	<u>12,877,214.27</u>
Total Assets	<u>\$ 36,159,558.21</u>	<u>\$ 36,944,137.84</u>
Other Liabilities	\$ 556,531.84	\$ 799,570.59
Long-Term Liabilities		
Current	322,463.33	383,145.85
Noncurrent	<u>771,244.47</u>	<u>693,714.10</u>
Total Liabilities	<u>\$ 1,650,239.64</u>	<u>\$ 1,876,430.54</u>
Net Assets		
Invested in Capital Assets	\$ 24,511,459.85	\$ 24,066,923.57
Restricted		36,500.00
Unrestricted	<u>9,997,858.72</u>	<u>10,964,283.73</u>
Total Net Assets	<u>\$ 34,509,318.57</u>	<u>\$ 35,067,707.30</u>

The largest component (71%) of GPB's net assets is the investment in Capital Assets (e.g. land, buildings and equipment) of \$24,511,459.85. The remaining balance of \$9,997,858.72 (29%) is unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors.

The following is a summary of the Revenues, Expenses and changes in Net Assets for FY 2011:

	<u>FY 2011</u>	<u>FY 2010</u>
Revenues		
Program Revenues		
Charges for Services	\$ 5,641,832.91	\$ 4,573,009.09
Operating Grants and Contributions	8,462,796.56	8,160,369.64
General Revenues		
Intergovernmental – Other	13,462,630.00	14,685,203.00
Unrestricted Investment Earnings	<u>385,815.39</u>	<u>336,933.95</u>
Total Revenues	\$ 27,953,074.86	\$ 27,755,515.68
Expenses		
Culture and Education	<u>28,511,463.59</u>	<u>24,738,070.86</u>
Increase (Decrease) in Net Assets	\$ (558,388.73)	\$ 3,017,444.82
Net Assets – Beginning	<u>35,067,707.30</u>	<u>32,050,262.48</u>
Total Net Assets – Ending	<u>\$ 34,509,318.57</u>	<u>\$ 35,067,707.30</u>

The increase in revenues from FY 2010 to FY 2011 is primarily attributable to the increase in program revenues from rents & royalties. Expenses exceeded revenues in FY 2011 and this is mostly due to the Commission's state appropriation being cut a further 4.69% and unexpected Information Technology system expenditures.

### **FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS**

**General Fund.** The General Fund is the chief operating fund of Georgia Public Broadcasting. It consists of two components: the general fund of The Foundation for Public Broadcasting in Georgia, Inc., and the budget fund for GPB. Although legally separate, the Foundation is in substance a part of the Commission's operations. Funds raised by the Foundation are devoted entirely to the benefit of the Commission. The budget fund for GPB is the fund responsible for all activities of the Commission not otherwise accounted for in the Foundation or by the specific funds described in the following paragraph. At June 30, 2011, the General Fund has \$20,159.41 in non-spendable fund balance, \$451,056.72 in assigned fund balance for encumbrances and \$10,620,350.39 in unassigned fund balance as described in the Notes to the Financial Statements.

**Capital Projects Fund.** The Capital Projects Fund is used to account for financial resources designated for the digital conversion of the towers and transmitters. At June 30, 2011, total assets are a net of \$0.00. The digital conversion project closed out on October 31, 2010.

**Other Non-major Governmental Fund.** One fund comprises the Other Non-major Governmental fund and is included on Exhibits C and D of this report.

- The WSVH Endowment is a Permanent Fund classified as non-spendable fund balance where the principal endowment is held in perpetuity and contractually

required to be maintained intact. The WSVH Endowment was dissolved in May 2011 upon approval of the Foundation's Board of Directors.

### **BUDGET COMPARISON ANALYSIS**

The original budget for Georgia Public Broadcasting of \$27,625,833.00 was increased by \$1,436,797.00 during the fiscal year. Expenditures on a budgetary basis were under budget and more than revenues by \$983,699.72.

### **CAPITAL ASSETS**

Georgia Public Broadcasting's investment in capital assets as of June 30, 2011, amounts to \$57,750,048.81 which--with accumulated depreciation of \$33,238,588.96--leaves a net book value of \$24,511,459.85. This investment in capital assets includes land, buildings and equipment. The actual depreciation charges for the year totaled \$2,045,026.46. The Commission transferred Land and Other Property and Equipment located at the tower sites through an Intergovernmental agreement to the Board of Regents. This agreement provides general obligation bonds to fund the digital conversion of the Commission's towers and transmitters. The value of the land is \$200,000.00 and the equipment are \$44,290,058.42 and the accumulated depreciation is \$29,519,581.08 for a net value of \$14,970,477.34 at June 30, 2011.

The transfer of property and equipment was required for the Commission to obtain the use of five-year general obligation bonds sold in the name of the Board of Regents on behalf of the Commission. The Commission, an authority created after 1967, cannot have bonds sold in its name. An intergovernmental agreement was executed between the Commission and the Board of Regents that allowed the Commission to utilize these funds for the digital conversion of the towers and antennae. The bonds were sold September 7, 2005, and the agreement with the Board of Regents expired at the end of the five-year period when the bonds were paid in full. The Intergovernmental agreement expired during FY 2011 but the transfer of Land and Other Property and Equipment back to the Commission did not occur before FY 2011 year end close. The transfer from Board of Regents back to the Commission will occur during FY 2012.

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

Georgia's economy recovered minimally coming out of 2010 and is projected to sustain that recovery, although very slowly, throughout 2011 and into 2012. State revenues have finally started to increase and month after month continue the trend of year-on-year comparison growth. The FY 2012 budget is based on a revenue estimate of 4.4% growth over FY 2011 collections. However, given the uncertain economic climate, loss of Federal stimulus funds and continued normal growth, the state's budget remains conservative. The Commission, like all state agencies, was not permitted to request additional state funding in the FY 2012 general appropriations budget. The amended budget for FY 2012 requested a 2% reduction plan for state expenditures. This request for additional budget reductions also applies to GPB's FY 2013's budget request, a 2% reduction plan.

The current state appropriation is approximately 44% of GPB's annual budget. To meet expenditures, GPB must raise at least \$15 million each year. Our revenue generation

from outside sources reflects increases in FY 2011; however GPB expects revenue to decrease overall mainly due to the state appropriation's projected decreases for FY 2011 Amended and FY 2012 and uncertainty in the economy that could affect fundraising efforts.

Georgia Public Broadcasting has completed the transition to digital broadcast for our television network. All nine television stations are broadcasting a High Definition (HDTV) signal in as mandated by the FCC. GPB has also completed the upgrade, rebuild, and enhancement our broadcast transmitter equipment and facilities, and the upgrade of our broadcast studios. This digital initiative in Georgia was made possible through the efforts of our Board of Directors with capital outlay funding (bonds) appropriated by the General Assembly and approved by the Governor as well as some matching grants from the Corporation for Public Broadcasting and other Federal agencies.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Georgia Public Broadcasting's finances for all those individuals having an interest in the Commission's finances. Questions concerning any of the information provided in this report should be addressed to: Georgia Public Broadcasting, 260 14<sup>th</sup> Street, NW, Atlanta, Georgia 30318-5360.

## BASIC FINANCIAL STATEMENTS





**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

EXHIBIT "A"

**Governmental  
Activities**

**ASSETS**

Cash and Cash Equivalents	\$ 4,517,584.95
Investments	6,753,770.34
Accounts Receivable	
Other	356,583.66
Inventories	20,159.41
Capital Assets	
Land	1,278,948.00
Buildings and Building Improvements	26,127,162.00
Other Property and Equipment	30,343,938.81
Less: Accumulated Depreciation	<u>-33,238,588.96</u>

Total Assets	\$ <u>36,159,558.21</u>
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**LIABILITIES**

Accounts Payable and Other Accruals	\$ 263,406.84
Deferred Revenue	293,125.00
Noncurrent Liabilities	
Due Within One Year	
Compensated Absences	322,463.33
Due in More Than One Year	
Compensated Absences	<u>771,244.47</u>

Total Liabilities	\$ <u>1,650,239.64</u>
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**NET ASSETS**

Invested in Capital Assets	\$ 24,511,459.85
Unrestricted	<u>9,997,858.72</u>

Total Net Assets	\$ <u><u>34,509,318.57</u></u>
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The notes to the financial statements are an integral part of this statement.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

EXHIBIT "B"

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities				Governmental Activities
Culture and Education	\$ 28,511,463.59 \$	5,641,832.91 \$	8,462,796.56 \$	-14,406,834.12
Total Governmental Activities	\$ 28,511,463.59 \$	5,641,832.91 \$	8,462,796.56 \$	-14,406,834.12
General Revenues				
Intergovernmental - Other				\$ 13,462,630.00
Unrestricted Investment Earnings				385,815.39
Total General Revenues				\$ 13,848,445.39
Change in Net Assets				\$ -558,388.73
Net Assets - Beginning				35,067,707.30
Net Assets - Ending				\$ 34,509,318.57

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

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

EXHIBIT "C"

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,517,584.95	\$ 0.00	\$ 0.00	\$ 4,517,584.95
Investments	6,753,770.34			6,753,770.34
Accounts Receivable				
Other	356,583.66			356,583.66
Inventories	<u>20,159.41</u>			<u>20,159.41</u>
Total Assets	\$ <u>11,648,098.36</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>11,648,098.36</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable and Other Accruals	\$ 263,406.84			\$ 263,406.84
Deferred Revenue	<u>293,125.00</u>			<u>293,125.00</u>
Total Liabilities	\$ <u>556,531.84</u>			\$ <u>556,531.84</u>
<b>Fund Balances</b>				
Nonspendable				
Inventory	\$ 20,159.41			\$ 20,159.41
Assigned	451,056.72			451,056.72
Unassigned	<u>10,620,350.39</u>	<u>0.00</u>	<u>0.00</u>	<u>10,620,350.39</u>
Total Fund Balances	\$ <u>11,091,566.52</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>11,091,566.52</u>
Total Liabilities and Fund Balances	\$ <u>11,648,098.36</u>	\$ <u>0.00</u>	\$ <u>0.00</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 1,278,948.00	
Buildings and Building Improvements	26,127,162.00	
Other Property and Equipment	30,343,938.81	
Accumulated Depreciation	<u>-33,238,588.96</u>	
Total Capital Assets		24,511,459.85

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term Liabilities at year-end consist of:

Compensated Absences	\$ <u>-1,093,707.80</u>
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Net Assets of Governmental Activities (Exhibit "A")	\$ <u>34,509,318.57</u>
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The notes to the financial statements are an integral part of this statement.

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

EXHIBIT "D"

	General Fund	Capital Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental - Federal				
U.S. Department of Education	\$ 22,000.00			\$ 22,000.00
U.S. Department of Commerce		\$ 675,723.00		675,723.00
Intergovernmental - Other				
State Appropriations through the Board of Regents of the University System of Georgia	13,462,630.00			13,462,630.00
Corporation for Public Broadcasting - Grants	3,373,414.00			3,373,414.00
GSFIC		2,361,057.17		2,361,057.17
Contributions and Donations				
Foundation for Public Broadcasting in Georgia, Inc.	5,067,382.56			5,067,382.56
Interest and Other Investment Income	148,225.52		\$ 3.42	148,228.94
Production Grants	1,053,274.85			1,053,274.85
Rents and Royalties	2,022,767.97			2,022,767.97
Sales and Services	404,226.63			404,226.63
Underwriting	1,916,507.73			1,916,507.73
Unrealized Gain (Loss) on Investments	237,586.45			237,586.45
Miscellaneous	245,055.73			245,055.73
Total Revenues	\$ 27,953,071.44	\$ 3,036,780.17	\$ 3.42	\$ 30,989,855.03
<b>EXPENDITURES</b>				
Current				
Culture and Education	\$ 28,939,152.02	\$ 3,036,780.17	\$ 0.00	\$ 31,975,932.19
Excess Of Revenues Over (Under) Expenditures	\$ -986,080.58	\$ 0.00	\$ 3.42	\$ -986,077.16
<b>OTHER FINANCING SOURCES</b>				
Interfund Transfer	39,422.27		-39,422.27	0.00
<b>FUND BALANCES - BEGINNING</b>	<u>12,038,224.83</u>	<u>0.00</u>	<u>39,418.85</u>	<u>12,077,643.68</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 11,091,566.52</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 11,091,566.52</u>
Net change in fund balances - total governmental funds				\$ -986,077.16
Amounts reported for governmental activities in the Statement of Activities are different because:				
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:				
Capital Outlay			\$ 2,489,562.74	
Depreciation Expense			<u>-2,045,026.46</u>	444,536.28
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. This activity consists of:				
Increase in Compensated Absences				<u>-16,847.85</u>
Change in net assets of governmental activities (Exhibit "B")				<u>\$ -558,388.73</u>

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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. REPORTING ENTITY**

The Georgia Public Telecommunications Commission ("the Commission") is an instrumentality of the State of Georgia and a public corporation. The Commission was created by an Act of the General Assembly of the State of Georgia for the purpose of providing educational, instructional and public broadcasting services to the citizens of the State of Georgia.

The overall management of the business and affairs of the Commission is vested in a Board of Directors. State law provides that the Board is to be comprised of nine members. Board members serve on a part-time basis and are appointed by the Governor for specific periods of time. The Board of Directors appoints an Executive Director who is responsible for the day-to-day operations of the Commission.

A component unit is an entity for which the Commission is considered to be financially accountable. Financial accountability includes the ability of the Commission to appoint a voting majority of a Commission's governing board and to impose will upon the organization or to have exist the potential for the organization to provide specific financial benefits or impose specific financial burdens on the Commission.

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the Commission and its blended component unit, The Foundation for Public Broadcasting in Georgia, Inc. ("the Foundation"). The Foundation assists the Commission in fulfilling its statutory responsibility for providing educational and public broadcasting to the citizens of the State of Georgia. Funds raised by the Foundation are almost entirely devoted to the benefit of the Commission. The Foundation's Board of Directors is composed of the Chairperson and the Vice Chairperson of the Commission's Board, two directors elected by the Commission's Board, two directors elected by the Foundation's Board and the Executive Director of the Commission.

Because the Foundation, a legally separate entity, is in substance a part of the Commission's operations, the financial statements of the Foundation have been blended with the financial statements of the Commission. Blending the Foundation's financial activity with the general fund of the Commission is a departure from GAAP, however this does not cause the financial statements to be misleading, but rather more accurately depicts the unique relationship between the Commission and the Foundation. Information on obtaining the individual financial statements of the blended component unit is available from the Finance Office of the Commission.

The Georgia Public Telecommunications Commission, with its blended component unit, is considered a component unit of the State of Georgia for financial reporting purposes because of the significance of its legal, operational and financial relationships with the State of Georgia. These reporting entity relationships are defined in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards.

**B. BASIS OF PRESENTATION**

A key feature of the governmental financial reporting model is its unique combination of government-wide and fund financial reporting. This combination of government-wide and fund financial reporting is designed to accomplish two goals: (1) to provide information using the



NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011

economic resources measurement focus and the accrual basis of accounting for functions reported in governmental funds, and (2) to provide net cost information by function for governmental activities. This is accomplished through government-wide financial statements and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all the non-fiduciary activities of the Commission and its blended component unit.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The only exception to this general rule are in those instances where the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Annual appropriations received from the State of Georgia, through the Board of Regents of the University System of Georgia, and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds. The Major individual governmental funds and the nonmajor fund are reported as separate columns in the fund financial statements.

The financial activities of the Commission and its blended component unit are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Commission uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Commission reports the following major and nonmajor governmental funds:

The *General Fund* is used to account for all financial transactions not required to be accounted for in another fund. These transactions relate to resources obtained and used for providing educational, instructional and public broadcasting services to the citizens of the State of Georgia.

The *Capital Projects Fund* is used to account for the financial resources provided by the Georgia State Financing and Investment Commission (GSFIC) and other intergovernmental agencies for the digital conversion of towers and transmitters.

The *Nonmajor Governmental Fund* is the Permanent Fund used to account for funds bequeathed to the Foundation for Public Broadcasting in Georgia, Inc. (blended component

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

unit of the Commission). The permanent fund is classified as nonspendable fund balance where the principal endowment is held in perpetuity and contractually required to be maintained intact. The interest earned on the endowment can be used in accordance with periodic determinations of the needs of WSVH as determined by the Foundation's Board of Directors. The endowment was initially established more than 20 years ago and had a value of less than \$100,000. Given the low interest rates in the current economic environment and balance of the endowment it was dissolved in accordance with statutory requirements and upon approval of the Foundation's Board of Directors in May 2011. The funds were transferred to the General Fund in order to support the relocation of WSVH-FM studios from Skidaway Island to a new studio and facility at Armstrong Atlantic State University. This opportunity to relocate WSVH-FM and dissolving the endowment to fund the effort assures the wishes of the original intent of the donation to support the operations of WSVH-FM.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major revenue sources susceptible to accrual include intergovernmental revenue. Appropriations from the State of Georgia, passed through the Board of Regents of the University System of Georgia to the Commission, are recognized when they become measurable and available to the extent they are collected within the current period. All other revenue items become measurable and available when they are earned.

Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**Cash and Cash Equivalents**

The Commission's Cash and Cash Equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions; and money market funds and the State investment pool that have the general characteristics of demand deposit accounts in that the Commission may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty.

The State investment pool (Georgia Fund 1) is an external investment pool that is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The State of Georgia's Office of the State Treasurer (OST) manages Georgia Fund 1 in accordance with policies and procedures established by State law and the State Depository Board, the oversight Board of OTFS. This investment is valued at the pool's share price, \$1.00 per share.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011

Funds held in money market mutual funds and certificates of deposit are valued at cost which approximates fair value.

The Commission does not have any risk exposure related to investments in derivatives or similar investments in Georgia Fund 1 as the investment policy of OTFS does not provide for investments in derivatives or similar investments through the Georgia Fund 1.

**Investments**

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue. Investments are presented at fair value.

**Accounts Receivable**

Accounts receivable for service are recorded when either the asset or revenue recognition criteria have been met. Estimates of allowances for uncollectible receivables have not been made within the financial statements; accordingly, no allowance for uncollectible accounts has been established.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities in the government-wide financial statements. All land is capitalized regardless of cost. Buildings and Building Improvements are capitalized when the cost of individual items or projects exceed \$100,000.00. Equipment is capitalized when the cost of individual items exceed \$5,000.00. Such assets are recorded at historical costs or estimated historical cost if historical cost information is unavailable. Donated capital assets are recorded at fair market value on the date donated. Disposals are deleted at recorded cost.

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

Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Building Improvements	40 Years
Equipment	3-7 Years

**Compensated Absences**

Employees earn annual leave ranging from ten to fourteen hours each month depending upon the employee's length of continuous State service with a maximum accumulation of forty-five days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are provided in the appropriation of State funds each fiscal year to cover the cost of annual leave of terminated employees.

Employees earn ten hours of sick leave each month with a maximum accumulation of ninety days. Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with one hundred and twenty days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System of Georgia.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Fund Balances**

In the fund financial statements, governmental funds fund balance is composed of classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental funds classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact

**Assigned Fund Balance** – This classification includes revenue sources that reflect the intended use of resources established at either the highest level of decision making, or by a body or official designated for that purpose.

**Unassigned Fund Balance** – This classification includes that portion of fund balance that has not been restricted to specific purposes.

The Commission receives an annual appropriation from the State of Georgia through the Board of Regents of the University system of Georgia. In general, Georgia law requires that unencumbered annual state appropriations lapse at fiscal yearend; however, statutory provisions allow the Commission to carry over unencumbered appropriations to future periods. Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end in the amount of \$451,056.72 are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

**Net Assets**

In the government-wide financial statements, the difference in the Commission's assets and liabilities is reported as net assets. Net assets are reported in three categories:

**Invested in capital assets** consists of capital assets, net of accumulated depreciation.

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, indicating they are not available for general operations. Such designations have internally imposed constraints on resources, but can be removed or modified.

**E. BUDGET**

The annual budget of the Commission is prepared on the modified accrual basis. The budget is prepared by the Commission and approved by the Board. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods and services need not have been received for liabilities and expenditures to be recorded.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**STATE OF GEORGIA COLLATERALIZATION STATUTES AND POLICIES**

Funds belonging to the State of Georgia (and thus the Commission) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Georgia General Assembly enacted legislation creating the Georgia State Pledging Pool Program effective in January 1999. This bill allows a bank to manage the collateral pledged towards their public funds in a pooled method instead of the traditional dedicated method. The Commission and Foundation bank accounts are a part of the Georgia State Pledging Pool program that is administered by the Georgia Bankers Association. This pool allows public depositors the option of having their financial institution secure deposits using a pooled method. By using the pooled method, the bank is able to pledge a pool of securities against the combined deposits of all their public depositors net of the FDIC insured amount. There are three separate entities that monitor deposits on a regular basis - the financial institution, the Office of the State Treasurer (OST) and GBA Services, Inc. (GBASI), a subsidiary of Georgia Bankers Association and authorized administrative agent for the OST. Significant savings are realized in administrative time and by avoiding the fees safekeepers charge to move securities from one account holder to another.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 3: DEPOSITS AND INVESTMENTS**

**A. Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be recovered. At June 30, 2011, \$3,855,437.74 of the Commission's deposits was insured. On November 9, 2010, the FDIC Board of Directors approved temporary unlimited coverage for non-interest bearing accounts effective December 31, 2010 through December 31, 2012.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Statement of Net Assets	\$ 4,517,584.95	\$ 6,753,770.34
Reclassifications to Investments for Risk Assessment Disclosures		
Money market mutual fund	(1,038,168.02)	1,038,168.02
State investment pool	<u>(10,259.41)</u>	<u>10,259.41</u>
Per notes to the financial statements	<u>\$ 3,469,157.52</u>	<u>\$ 7,802,197.77</u>

**B. Investments**

The Commission's investments as of June 30, 2011, other than those on deposit with the Office of the State Treasurer, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	More than 10 Years
<b>Debt Securities</b>					
Corporate Bonds	\$ 1,050,490.57		\$ 552,620.32	\$ 357,046.14	\$ 140,824.11
Money Market Mutual Fund	1,038,168.02	\$ 1,038,168.02			
CMO&Asset Backed Securities	304,280.74		7,415.37	29,225.49	267,639.88
Municipal Bonds	249,991.65			69,836.70	180,154.95
U. S. Agencies	738,128.94	125,938.50	110,261.94	16,424.09	485,504.41
U. S. Treasury Obligations	<u>372,790.18</u>	<u>72,375.91</u>	<u>173,250.68</u>	<u>127,163.59</u>	
	\$ 3,753,850.10	\$ <u>1,236,482.43</u>	\$ <u>843,548.31</u>	\$ <u>599,696.01</u>	\$ <u>1,074,123.35</u>
<b>Other Investments</b>					
Equity Securities - Domestic	<u>4,038,088.26</u>				
	\$ <u><u>7,791,938.36</u></u>				

The Commission also holds \$10,259.41 of investments in the Office of the State Treasurer Georgia Fund 1 Investment Pool. The Georgia Fund 1 Investment Pool, managed by the Office of the State Treasurer, is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is valued at the pool's share price, \$1.00 per share. At June 30, 2011, the holdings of the Georgia Fund 1 Investment Pool were composed of debt securities with a weighted average maturity of 42 days and other investments that are not subject to interest rate risk.



## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The organization does not have a formal policy for managing interest rate risk.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission's investment policy includes the following investing restrictions to manage credit quality risk:

1. **Acceptable Equity Investments** should consist of the following: Domestic (U.S.) common stock-includes preferred and convertible issues; ADR's of foreign companies; mutual funds (excluding those managed or sponsored by advisory firm(s)); Exchange Traded Funds (ETF's) and Publicly-traded Real Estate Investment Trusts (REIT's).
2. **Unacceptable Equity Investments** include the following, but not limited: Unlisted stocks; "Penny Stocks," Options (puts and calls) and Non U.S. Dollar denominated foreign stocks.
3. **Acceptable Fixed Income Investments** may be comprised of the following: Domestic bonds, of "A3/A-"(as rated by Moody's and/or S&P) or better with sufficient liquidity; bonds issued by or guaranteed by the U.S. Treasury or U.S. Government agencies are considered AAA rating; Convertible bonds; Treasury Inflation Protected Securities (TIP's); Exchange Traded Funds (ETF's) and Fixed Income mutual funds.
4. **Acceptable Cash Equivalent Investments** may be comprised of the following: Certificates of Deposit (\$100,000 maximum investment per issuer, as insured by FDIC); Money Market Funds, Commercial Paper (Rate A-1, P-1), U.S. Treasury bills and any other high quality fixed income investment with a yield to maturity of less than one (1) year (see ratings restrictions in above Fixed Income).
5. **Unacceptable/Restricted Investments and/or Transactions** are as follows: Borrowing of money; Purchasing of securities on margin or short sales; Pledging, mortgaging, or hypothecating of any securities; Purchase of securities of the investment advisor, its parent or its affiliates; Purchase of illiquid securities (i.e. private placements, real estate or mortgages, Limited Partnerships); Purchase or sale of commodities, commodity contracts and Purchase or sale of futures of options for speculation or leverage.

The following table provides information about the Commission's exposure to credit quality risk.

Rated Debt Investments	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Corporate Debt	\$ 1,050,490.57	\$ 162,569.69	\$ 283,198.91	\$ 604,721.97	
Money Market Mutual Fund	1,038,168.02				\$ 1,038,168.02
CMO&Asset Backed Securities	304,280.74	235,817.15	14,798.45	24,474.38	29,190.76
Municipal Bonds	249,991.65	143,922.45	106,069.20		
U.S. Agencies	738,128.94	382,945.24			355,183.70
	<u>\$ 3,381,059.92</u>	<u>\$ 925,254.53</u>	<u>\$ 404,066.56</u>	<u>\$ 629,196.35</u>	<u>\$ 1,422,542.48</u>

The Georgia Fund 1 was rated AAA by Standard and Poor's.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Commission will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Commission's policy for managing custodial credit risk for investments is to have all investments managed through an investment account custodian. This custodian provides Securities Investor Protection Corporation (SIPC) which protects securities customers of its member institutions for up to \$500,000 (including \$100,000 for claims for cash). In addition to this coverage, the custodian has secured protection through additional commercial insurance to \$150 million per customer.

At June 30, 2011, \$7,791,938.36 of the Commission's applicable investments was held by the investment account custodian.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission's policy for managing concentration of credit risk is no individual security, except diversified funds, shall make up more than 5% of each portfolio. The Fixed Income Securities portfolio has additional stipulations stating that in the case of asset backed securities and private label mortgage obligations the maximum limit shall relate to obligations from a specific "master trust" which holds the assets collateralizing the securities. There shall be no such limit on U.S. Government securities or U.S. Government-sponsored agency securities or mortgage obligations that are collateralized entirely by U.S. Government or U.S. Government agency securities. The maximum exposure to any single municipal obligor shall not exceed 5% of the total portfolio.

The investment advisor for the Fixed Income portfolio which represents approximately 36% of the Commission's total funds available for investment has additional restrictions to limit the relative sector exposure of the investments and additional restrictions on the type of investments. The restrictions include: No obligations of BB&T Corporation which own the investment advisor's company; No Private Placements; No Derivatives; No Non-U.S. Dollar Denominated Issues. The restrictions to limit the relative sector exposure include: Exposure to corporate debt will be maintained at a minimum of 50% and restricted to a maximum of 150% of the weighting of corporate debt of the Barclays Intermediate Government/Corporate Index; Exposure to mortgage-backed securities will be restricted to a maximum of 30% of the weighting of the portfolio; Asset-backed securities will be restricted to a maximum of 25% of the portfolio; Commercial Mortgage Backed Securities will be restricted to a maximum of 25% of the portfolio; Yankee debt will be restricted to a maximum of 10% of the fund and Total exposure to municipal obligations shall not exceed 15% of the overall account.

**NOTE 4: ACCOUNTS RECEIVABLE**

Receivables at June 30, 2011, consist of the following:

	Governmental <u>Activities</u>
Other (Services)	<u>\$ 356,583.66</u>

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 1,278,948.00			\$ 1,278,948.00
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	\$ 26,127,162.00			\$ 26,127,162.00
Other Property and Equipment	\$ 27,869,068.12	\$ 2,517,085.69	\$ (42,215.00)	30,343,938.81
Total Capital Assets Being Depreciated	\$ 53,996,230.12	\$ 2,517,085.69	\$ (42,215.00)	\$ 56,471,100.81
Less: Accumulated Depreciation For:				
Buildings and Building Improvements	\$ (7,593,206.45)	\$ (587,861.14)		\$ (8,181,067.59)
Other Property and Equipment	(23,615,048.10)	(1,457,165.32)	\$ 14,692.05	(25,057,521.37)
Total Accumulated Depreciation	\$(31,208,254.55)	\$ (2,045,026.46)	\$ 14,692.05	\$ (33,238,588.96)
Governmental Activities Capital Assets, Net	\$ 24,066,923.57	\$ 472,059.23	\$ (27,522.95)	\$ 24,511,459.85

Depreciation expense for the fiscal year ended June 30, 2011, was \$2,045,026.46 and the total amount was charged to Culture and Education function of the Commission.

The Commission transferred Land and Other Property and Equipment located at the tower sites through an Intergovernmental agreement to the Board of Regents. This agreement provides general obligation bonds to fund the digital conversion of the Commission's towers and transmitters. The value of the land is \$200,000.00 and the equipment are \$44,290,058.42 and the accumulated depreciation is \$29,519,581.08 for a net value of \$14,970,477.34 at June 30, 2011. The Intergovernmental agreement expired during FY 2011 but the transfer of Land and Other Property and Equipment back to the Commission did not occur before FY 2011 year end close. The transfer from Board of Regents back to the Commission will occur during FY 2012.

**NOTE 6: OPERATING LEASES**

The Commission has entered into certain agreements to lease equipment and transmitter space, which are classified for accounting purposes as operating leases. These leases generally contain provisions that, at the expiration date of the original term of the lease, the Commission has the option of renewing the lease on a year-to-year basis. Total expenditures for the rental of real property under such leases were \$1,137,993.79 for the year ended June 30, 2011. The future minimum commitments for operating leases as of June 30, 2011, are listed below. Amounts are included only for multi-year leases and for cancellable leases for which an option to renew for the subsequent fiscal year has been exercised.

Fiscal Year Ended June 30

2012	\$ 1,012,719.21
2013	965,275.16
2014	956,090.96
2015	955,263.26
2016	909,963.77
2017-2022	<u>1,163,697.50</u>

## Total Minimum Commitments

\$ 5,963,009.86

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011**NOTE 7: LONG-TERM DEBT****Compensated Absences**

Compensated absences are liquidated by the fund they are reported in and do not have scheduled future debt service requirements beyond one year.

Long-term obligations at June 30, 2011, and changes for the fiscal year then ended are as follows:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	<u>\$ 1,076,859.95</u>	<u>\$ 328,214.02</u>	<u>\$ 311,366.17</u>	<u>\$1,093,707.80</u>	<u>\$ 322,463.33</u>

**NOTE 8: RISK MANAGEMENT****Public Entity Risk Pool**

The Department of Community Health administers for the State of Georgia a program of health benefits for the employees of units of government of the State of Georgia, units of county government and local education agencies located within the State of Georgia. This plan is funded by participants covered in the plan, by employers' contributions paid by the various units of government participating in the plan, and appropriations made by the General Assembly of Georgia. The Department of Community Health has contracted with various outside parties to process claims in accordance with the State Employees' Health Benefit Plan as established by the Department. Details on the liability for unpaid claims are disclosed in the *State of Georgia Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2011.

**Other Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The State of Georgia utilizes self-insurance programs established by individual agreement, statute or administrative action, to provide property insurance covering fire and extended coverage and automobile insurance and to pay losses that might occur from such causes; liability insurance for employees against personal liability for damages arising out of performance of their duties; survivors' benefits for eligible members of the Employees' Retirement System; consolidating processing of unemployment compensation claims against State agencies and the payment of sums due to the Department of Labor; and workers' compensation insurance coverage for employees of the State and for the receipt of benefits as prescribed by the workers' compensation statutes of the State of Georgia. These self-insurance funds are accounted for as internal service funds of the State of Georgia where assets are set aside for claim settlements. The majority of the risk management programs are funded by assessments charged to participating organizations. A limited amount of commercial insurance is purchased by the self-insurance funds applicable to property, employee and automobile liability, fidelity and certain other risks to limit the exposure to catastrophic losses. Otherwise, the risk management programs service all claims against the State for injuries and property damage. Financial information relative to the self-insurance funds will be presented in the *State of Georgia Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2011.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011

In addition, the Commission has purchased a liability insurance policy for broadcasters and producers and another liability and crime policy for the Foundation's Board of Directors.

**NOTE 9: RELATED PARTY TRANSACTIONS**

As further described in Note 1, the Commission, through its board members, the State of Georgia, and other State agencies, participates in related party transactions which are inherent to its organizational and funding structure. Agencies that fund the Commission also contract with the Commission for goods and services and the Commission purchases goods and services from funding agencies.

**NOTE 10: RETIREMENT PLANS**

The Georgia Public Telecommunications Commission participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia (TRS). These two systems issue separate, publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that the Georgia Public Telecommunications Commission participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

***Employees' Retirement System of Georgia***

The ERS System is comprised of individual retirement systems and plans covering substantially all employees of the State of Georgia except for teachers and other employees covered by the Teachers Retirement System of Georgia. One of the ERS System plans, the Employees' Retirement System of Georgia (ERS), is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan (SRBP-ERS) of ERS. The SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of ERS. The purpose of the SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC Section 415. Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in the SRBP-ERS whenever their benefits under ERS exceed the limitation on benefits imposed by IRC Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members subject to the modified plan provisions.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011

Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, and the member's age at retirement. Post-retirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the Georgia Public Telecommunications Commission pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these Georgia Public Telecommunications Commission contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Georgia Public Telecommunications Commission is required to contribute at a specified percentage of active member payroll established by the Board of Trustees determined annually in accordance with actuarial valuation and minimum funding standards as provided by law. These Georgia Public Telecommunications Commission contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2011 were based on the June 30, 2008 actuarial valuation for the old and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

Old Plan *	10.41%
New Plan	10.41%
GSEPS	6.54%

\* 5.66% exclusive of contributions paid by the employer on behalf of old plan members

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions the member forfeits all rights to retirement benefits.

***Teachers Retirement System of Georgia***

The Teachers Retirement System of Georgia (TRS) is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

On October 25, 1996, the Board created the Supplemental Retirement Benefit Plan of the Georgia Teachers Retirement System (SRBP-TRS). The SRBP-TRS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member 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. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011 were 5.53% of annual salary. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008 actuarial valuation. The employer contribution rate will remain at 10.28% effective July 1, 2011.

The following table summarizes the Georgia Public Telecommunications Commission contributions by defined benefit plan for the years ending June 30, 2011, 2010, and 2009 (dollars in thousands):

<u>ERS</u>			<u>TRS</u>		
	<u>Required</u>	<u>Percent</u>		<u>Required</u>	<u>Percent</u>
	<u>Contribution</u>	<u>Contributed</u>		<u>Contribution</u>	<u>Contributed</u>
2011 \$	644	100%	\$	22	100%
2010 \$	708	100%	\$	21	100%
2009 \$	802	100%	\$	31	100%

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011***Georgia Defined Contribution Plan***

Certain employees of the Commission participate in the Georgia Defined Contribution Plan (GDCP), which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for public employees who are not members of a public retirement or pension system. GDCP is administered by the ERS Board of Trustees.

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board. If a member has less than \$3,500 credit to his/her account, the Board has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions of GDCP are established and may be amended by State statute.

Member contributions are 7.5% of gross salary. There are no employer contributions. Contribution rates are established and may be amended by State statute. Earnings are credited to each member's account in a manner established by the Board. Upon termination of employment, the amount of the member's account is refundable upon request by the member. Total contributions by employees during the fiscal year ended June 30, 2011, were \$54,507.26, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS**

The Georgia Public Telecommunications Commission participates in the following State of Georgia post-employment benefit plans: the Georgia State Employees Post-Employment Health Benefit Fund (administered by the Department of Community Health) and the State Employees' Assurance Department – OPEB (administered by the ERS System). Separate financial reports that include the applicable financial statements and required supplementary information for these plans are publicly available and may be obtained from the offices that administer the plans.

Retiree health benefits were previously funded through the Georgia Retiree Health Benefit Fund (GRHBF). In 2009, the General Assembly revisited the GRHBF and enacted legislation that, effective August 31, 2009, separated the GRHBF into two new funds: the Georgia School Personnel Post-Employment Health Benefit Fund and the Georgia State Employees Post-Employment Health Benefit Fund. The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions will be dedicated to their respective retiree populations. Funds in the GRHBF were transferred to the Georgia State Employees Post-Employment Health Benefit Fund or the Georgia School Personnel Post-Employment Health Benefit Fund as described in the plan financial statements. The statute that created the GRHBF is repealed effective September 1, 2010.

***Georgia State Employees Post-Employment Health Benefit Fund***

The Georgia State Employees Post-Employment Health Benefit Fund (State OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of State organizations (including technical colleges) and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. The State OPEB Fund provides health insurance benefits to eligible former employees and their



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

qualified beneficiaries through the health insurance plan for State employees. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board).

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the State OPEB Fund were as follows for the fiscal year ended June 30, 2011:

June 2010	22.165% of covered payroll for July Coverage
July 2010 – April 2011	25.586% of covered payroll for August – May Coverage
May 2011 – June 2011	22.667% of covered payroll for June – July Coverage

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the State OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other post-employment benefits and are subject to appropriation.

The following table summarizes the Georgia Public Telecommunications Commission combined active and retiree contributions to the health insurance plans for the years ending June 30, 2011, 2010 and 2009 (dollars in thousands):

	<u>Required Contribution</u>	<u>Percent Contributed</u>
2011	\$ 1,824	100%
2010	\$ 1,560	100%
2009	\$ 1,101	100%

***State Employees' Assurance Department – OPEB***

State Employees' Assurance Department – OPEB (SEAD-OPEB) is a cost-sharing multiple-employer defined benefit post-employment plan that was created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to retired and vested inactive members of Employees', Judicial (JRS), and Legislative (LRS) Retirement Systems, amended to exclude members of JRS and LRS hired on or after July 1, 2009. Pursuant to Title 47 of the OCGA, the authority to establish and amend the benefit provisions of the plan is assigned to the Boards of Trustees of the Employees' and Judicial Retirement Systems.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2011

Contributions by plan members are established by the Boards of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The Boards of Trustees of the Employees' and Judicial Retirement Systems establish employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. For the fiscal year ended June 30, 2011, contributions of ERS "old plan" members were 0.45% of earnable compensation, 0.22% of which was paid by the employer. Contributions of ERS "new plan" members and of members of the Judicial and Legislative Retirement Systems were 0.23% of earnable compensation. There were no employer annual required contributions (ARC) for the fiscal years ended June 30, 2011, 2010 and 2009.

**NOTE 12: NONMONETARY TRANSACTIONS**

During the year ended June 30, 2011, the Commission received in-kind contributions from the following institutions that housed local GPB radio operations throughout the state. The in-kind contributions are administrative, communication, facilities and departmental support. These amounts are not reflected on the Commission's financial statements.

<u>Institution</u>	<u>GPB Facility</u>	<u>In-kind Contribution</u>
Augusta State University	WACG-FM	\$ 27,407.69
Georgia Highlands College	WGPB-FM	17,465.87
Mercer University	WMUM-FM	58,820.00
Piedmont College	WPPR-FM	3,830.70
University of Georgia	WUGA-FM	<u>883,791.69</u>
Total In-kind Contributions		<u>\$ 991,315.95</u>

**NOTE 13: CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustments 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 that may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

Litigation, claims and assessments filed against the Commission, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the *State of Georgia Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2011.

## SUPPLEMENTARY INFORMATION

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2011**

SCHEDULE " 1 "

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>Funds Available</b>				
Revenues				
Other Revenues Retained	\$ 27,625,833.00	\$ 29,062,630.00	\$ 27,997,033.71	\$ -1,065,596.29
<b>Expenditures</b>				
Culture And Education	\$ 27,625,833.00	\$ 29,062,630.00	\$ 28,980,733.43	\$ 81,896.57
 Excess of Funds Available over Expenditures			 \$ -983,699.72	 \$ -983,699.72

The budget for the Commission is adopted on a basis consistent with accounting practices prescribed or permitted by statutes and regulations of the State of Georgia, which is a basis other than prescribed by Generally Accepted Accounting Principles (GAAP). This budget is considered to be an appropriated budget. The following is an explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

**Sources/inflows of resources**

Actual amounts (budgetary basis) "Funds available" \$ 27,997,033.71

Differences - Budget to GAAP:

For budget purposes interfund transfers in are not considered current year revenue for financial reporting purposes -39,422.27

For budget purposes, certain adjustments to prior year revenue/receivable items are considered fund balance adjustments rather than revenue items for financial reporting purposes. -4,540.00

Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D") \$ 27,953,071.44

**Uses/outflows for resources**

Actual amounts (budgetary basis) "expenditures" \$ 28,980,733.43

Differences - Budget to GAAP:

For budget purposes, certain adjustments to prior year expenditure/payable items and inventory adjustments are considered fund balance adjustments rather than expenditure items for financial reporting purposes. -108,111.00

For budget purposes, encumbrances are reported as expenditures in the year purchase orders are issued but are expensed when invoiced for financial reporting purposes. -41,773.99

For budget purposes, expenditures in the Foundation are non-budgetary. 108,303.58

Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D") \$ 28,939,152.02

**ANALYSIS OF FINANCIAL ACTIVITY OF BLENDED COMPONENT UNIT  
(FOUNDATION FOR PUBLIC BROADCASTING IN GEORGIA, INC)**

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**ANALYSIS OF BALANCE SHEET ACTIVITY**  
**OF BLENDED COMPONENT UNIT**  
**JUNE 30, 2011**

	<u>Commission</u>	<u>Foundation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 67,950.99	\$ 4,449,633.96	\$ 4,517,584.95
Investments		6,753,770.34	6,753,770.34
Accounts Receivable			
Other	356,583.66		356,583.66
Inventories	<u>20,159.41</u>		<u>20,159.41</u>
Total Assets	<u>\$ 444,694.06</u>	<u>\$ 11,203,404.30</u>	<u>\$ 11,648,098.36</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts Payable and Other Accruals	\$ 263,011.13	\$ 395.71	\$ 263,406.84
Deferred Revenue	<u>293,125.00</u>		<u>293,125.00</u>
Total Liabilities	<u>\$ 556,136.13</u>	<u>\$ 395.71</u>	<u>\$ 556,531.84</u>
Fund Balances			
Nonspendable			
Inventory	\$ 20,159.41		\$ 20,159.41
Assigned	451,056.72		451,056.72
Unassigned	<u>-582,658.20</u>	<u>\$ 11,203,008.59</u>	<u>10,620,350.39</u>
Total Fund Balances	<u>\$ -111,442.07</u>	<u>\$ 11,203,008.59</u>	<u>\$ 11,091,566.52</u>
Total Liabilities and Fund Balances	<u>\$ 444,694.06</u>	<u>\$ 11,203,404.30</u>	<u>\$ 11,648,098.36</u>

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**ANALYSIS OF OPERATING ACTIVITY AND CHANGES IN FUND BALANCES**  
**OF BLENDED COMPONENT UNIT**  
**YEAR ENDED JUNE 30, 2011**

	<u>Commission</u>	<u>Foundation</u>	<u>Total</u>
<b>REVENUES</b>			
Intergovernmental - Federal			
U.S. Department of Education	\$ 22,000.00		\$ 22,000.00
Intergovernmental - Other			
State Appropriations through the Board of Regents of the			
University System of Georgia	13,462,630.00		13,462,630.00
Corporation for Public Broadcasting - Grants	3,373,414.00		3,373,414.00
Contributions and Donations			
Foundation for Public Broadcasting in Georgia, Inc.		\$ 5,067,382.56	5,067,382.56
Interest and Other Investment Income	92.33	148,133.19	148,225.52
Production Grants	1,053,274.85		1,053,274.85
Rents and Royalties	2,022,767.97		2,022,767.97
Sales and Services	404,226.63		404,226.63
Underwriting	1,916,507.73		1,916,507.73
Unrealized Gain on Investments		237,586.45	237,586.45
Miscellaneous	<u>245,055.73</u>		<u>245,055.73</u>
Total Revenues	\$ <u>22,499,969.24</u>	\$ <u>5,453,102.20</u>	\$ <u>27,953,071.44</u>
<b>EXPENDITURES</b>			
Current			
Culture and Education	\$ <u>28,830,848.44</u>	\$ <u>108,303.58</u>	\$ <u>28,939,152.02</u>
Excess Of Revenues Over (Under) Expenditures	\$ -6,330,879.20	\$ 5,344,798.62	\$ -986,080.58
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund Transfers	4,600,000.00	-4,560,577.73	39,422.27
<b>FUND BALANCES - BEGINNING</b>	<u>1,619,437.13</u>	<u>10,418,787.70</u>	<u>12,038,224.83</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -111,442.07</u>	<u>\$ 11,203,008.59</u>	<u>\$ 11,091,566.52</u>

**SECTION II**  
**INTERNAL CONTROL AND COMPLIANCE REPORT**







# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington St. S.W. Suite 1-156  
Atlanta, Georgia 30334

**RUSSELL W. HINTON**

STATE AUDITOR  
(404) 656-2174

## 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*

Honorable Nathan Deal, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Georgia Public Telecommunications Commission  
and  
Honorable Teya Ryan, President and Executive Director

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Georgia Public Telecommunications Commission, a component unit of the State of Georgia, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the Georgia Public Telecommunications Commission is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the Georgia Public Telecommunications Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Georgia Public Telecommunications Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Georgia Public Telecommunications Commission's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not



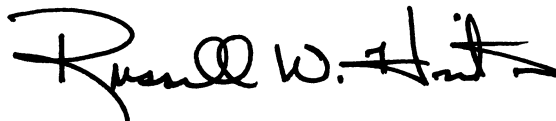
identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Georgia Public Telecommunications Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

This report is intended solely for the information and use of management, members of the Georgia Public Telecommunications Commission Board, Federal awarding agencies and pass-through entities, and management of the State of Georgia, 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 "Russell W. Hinton", with a stylized flourish at the end.

Russell W. Hinton, CPA, CGFM  
State Auditor

September 30, 2011

RWH:ya