Fiscal Year 2013

Georgia Public Telecommunications Commission

A Component Unit of the State of Georgia

Audit Report

For the Fiscal Year Ended June 30, 2013

Department of Audits and Accounts

Greg S. Griffin
State Auditor

State Government Division
David Pennington, Director

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
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Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Georgia Public Telecommunications Commission
and
Ms. Teya Ryan, President and Chief Executive Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Georgia Public Telecommunications Commission, a component unit of the State of Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Georgia Public Telecommunications Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Georgia Public Telecommunications Commission, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 3 to the financial statements, in 2013, Georgia Public Telecommunications Commission adopted new accounting guidance, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. As a result, Georgia Public Telecommunications Commission, made reporting changes required by SAS AU-C Section 708, *Consistency of Financial Statements.* Our opinion is not modified with respect to this matter.

As described in Note 3 to the financial statements, in 2013, Georgia Public Telecommunications Commission adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 (Schedule 1) on page 41 is presented for purposes of additional analysis and not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures-Budget and Actual (Schedule 1) is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenditures-Budget and Actual (Schedule 1) is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 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* in considering Georgia Public Telecommunications Commission's internal control over financial reporting and compliance.

Respectfully submitted,

Greg S. Griffin

Greg S. Griffin
State Auditor

September 30, 2013

GSG:mj

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The following is a discussion and analysis of the financial performance of the 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, 2013 and compares them to fiscal year ended June 30, 2012. 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 Position

As of the close of fiscal year 2013, Georgia Public Broadcasting's combined ending net position totaled $15,989,179. Of this total, $8,765,312 is invested in capital assets and $7,223,867 is unrestricted.

Long-term Liabilities

GPB's total long-term liabilities consist of $1,075,151 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.

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 Position* presents information on all GPB assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in net position 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 position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned unused vacation leave).

The government-wide financial statements only include the operations of the Georgia Public Telecommunications Commission d/b/a Georgia Public Broadcasting. GPB 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 *Special Revenue Fund* is a major fund and used to account for all financial transactions related to the component unit, The Foundation for Public Broadcasting in Georgia, Inc. The *Capital Project Fund* is a major fund and accounts for all financial transactions related to the Commission's capital facilities projects funded by the Georgia State Financing and Investment Commission (GSFIC) bonds.

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 Position

	FY 2013	FY 2012
Capital Assets, Net of Depreciation	$ 8,765,312	$ 32,078,852
Other Assets	9,123,591	9,308,493
Total Assets	$ 17,888,903	$ 41,387,345
Other Liabilities	$ 824,573	$ 610,366
Long-Term Liabilities		
Current	321,761	309,021
Noncurrent	753,390	813,244
Total Liabilities	$ 1,899,724	$ 1,732,631
Net Position		
Net Invested in Capital Assets	$ 8,765,312	$ 32,078,852
Unrestricted	7,223,867	7,575,862
Total Net Position	$ 15,989,179	$ 39,654,714

The largest component (55%) of GPB's net position is the investment in Capital Assets (e.g. land, buildings and equipment) of $8,765,312. The remaining balance of $7,223,867 (45%) 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 and Transfers, Expenses and changes in Net Position for FY 2013:

	FY 2013	FY 2012
Revenues		
Program Revenues		
Charges for Services	$ 5,757,768	$ 5,298,312
Operating Grants and Contributions	8,845,572	9,110,631
Capital Grants and Contributions	1,633,329	-
General Revenues		
Intergovernmental – Other	13,370,145	12,219,944
Unrestricted Investment Earnings	663,235	88,376
Transfers	(17,768,941)	15,055,151
Total Revenues and Transfers	$ 12,501,108	$ 41,772,414
Expenses		
Culture and Education	36,166,643	36,627,018
Increase (Decrease) in Net Position	$ (23,665,535)	$ 5,145,395
Net Position – Beginning	39,654,714	34,509,319
Total Net Position – Ending	$ 15,989,179	$ 39,654,714

The decrease in revenues and transfers from FY 2012 to FY 2013 is attributable to a net transfer out of equipment and accumulated depreciation to the Board of Regents for property and equipment at GPB's headquarters location and the WJSP tower site. This transfer is required to obtain the use of general obligation bonds sold in the Board of Regents name on behalf of the Commission.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

General Fund

The General Fund is the chief operating fund of Georgia Public Broadcasting and consists of the budget fund for GPB. The budget fund for GPB is the fund responsible for all activities of the Commission. At June 30, 2013, the General Fund had $9,672 in non-spendable fund balance, $487,705 in assigned fund balance for encumbrances and $527,622 in unassigned fund balance as described in the Notes to the Financial Statements.

Special Revenue Fund

The Special Revenue Fund is used to account for all financial transactions related to the component unit The Foundation for Public Broadcasting in Georgia, Inc. Although legally separate, the Foundation is, in substance, a part of the Commission's operations. Funds raised by the Foundation are almost entirely devoted to the benefit of the Commission. At June 30, 2013, the Special Revenue Fund had $7,274,020 in unassigned fund balance as described in the Notes to the Financial Statements.

Capital Project Fund

The Capital Project Fund accounts for all financial transactions related to the Commission's capital facilities projects funded by the Georgia State Financing and Investment Commission (GSFIC) bonds. At June 30, 2013, the Capital Project Fund had $0 in fund balance as described in the Notes to the Financial Statements.

BUDGET COMPARISON ANALYSIS

The original budget for Georgia Public Broadcasting of $29,146,851 was increased by $121,820 during the fiscal year. Expenditures on a budgetary basis were under budget but more than revenues by $440,427.

CAPITAL ASSETS

Georgia Public Broadcasting's investment in capital assets as of June 30, 2013, amounts to $67,129,768 which--with accumulated depreciation of $58,364,456--leaves a net book value of $8,765,312. This investment in capital assets includes land, buildings and equipment. The actual depreciation charges for the year totaled $6,838,480. The Georgia Public Telecommunications Commission entered into a forty year intergovernmental agreement with the Board of Regents effective July 1, 2012. The Commission transferred other property and equipment at its headquarters location and the WJSP tower site to the Board of Regents. This transfer was required to obtain the use of general obligation bonds sold in the Board of Regents name on behalf of the Commission. The Commission, an authority created after 1967, cannot have bonds sold in its name. This transfer is included as a decrease to the Commission's assets of $17,793,930. The Commission also received donated assets from the Public Broadcasting Service of $24,989.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The past several years have presented significant fiscal challenges for the state but Georgia's economy is beginning to see a slow and steady recovery. Any additional funding in the FY 2015 state budget will focus on specific growth in education and healthcare. State agencies have been asked to continue to be conservative by focusing available resources on the core roles of the state. The Commission, like most state agencies, was not permitted to request additional state funding in the FY 2015 general appropriations budget nor the amended budget for FY 2014. All agencies have been asked to maintain their current funding level for their agency.

The current state appropriation is approximately 46% of GPB's annual budget. To meet expenditures, GPB must raise approximately $16 million each year. Our revenue generation from outside sources is critically important as state appropriations remain flat. GPB projects moderate increases in other sources of revenue to sustain its annual budget; however, any uncertainty in the economy could adversely affect fundraising efforts.

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 14th Street, NW, Atlanta, Georgia 30318-5360.

BASIC FINANCIAL STATEMENTS

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

EXHIBIT "A"

STATEMENT OF NET POSITION

JUNE 30, 2013

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	$	1,462,967
Investments		6,125,221
Accounts Receivable		
Other		1,525,731
Inventories		9,672
Capital Assets		
Land		1,478,948
Buildings and Building Improvements		217,978
Other Property and Equipment		65,432,842
Less: Accumulated Depreciation		(58,364,456)
Total Assets		17,888,903
LIABILITIES		
Accounts Payable and Other Accruals		662,695
Deferred Revenue		161,878
Noncurrent Liabilities		
Due Within One Year		
Compensated Absences		321,761
Due in More Than One Year		
Compensated Absences		753,390
Total Liabilities		1,899,724
NET POSITION		
Net Invested in Capital Assets		8,765,312
Unrestricted		7,223,867
Total Net Position	$	15,989,179

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

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

EXHIBIT "B"

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Culture and Education	$ 36,166,643	$ 5,757,768	$ 8,845,572	$ 1,633,329	$ (19,929,974)
Total Governmental Activities	$ 36,166,643	$ 5,757,768	$ 8,845,572	$ 1,633,329	(19,929,974)

General Revenues	
Intergovernmental - Other	13,370,145
Unrestricted Investment Earnings	663,235
Transfers	(17,768,941)
Total General Revenues and Transfers	(3,735,561)
Change in Net Position	(23,665,535)
Net Position - Beginning	39,654,714
Net Position - Ending	$ 15,989,179

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

EXHIBIT "C"

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 556,845	$ 1,172,984		$ 1,729,829
Investments		6,125,221		6,125,221
Accounts Receivable				
Other	1,071,640		$ 454,091	1,525,731
Inventories	9,672			9,672
Total Assets	$ 1,638,157	$ 7,298,205	$ 454,091	$ 9,390,453
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash Overdraft			$ 266,862	$ 266,862
Accounts Payable and Other Accruals	$ 451,280	$ 24,186	187,229	662,695
Deferred Revenue	161,878			161,878
Total Liabilities	613,158	24,186	454,091	1,091,435
Fund Balances				
Nonspendable				
Inventory	9,672			9,672
Assigned	487,705			487,705
Unassigned	527,622	7,274,020	0	7,801,642
Total Fund Balances	1,024,999	7,274,020	0	$ 8,299,019
Total Liabilities and Fund Balances	$ 1,638,157	$ 7,298,206	$ 454,091	

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 1,478,948	
Buildings and Building Improvements	217,978	
Other Property and Equipment	65,432,842	
Accumulated Depreciation	(58,364,456)	
Total Capital Assets		8,765,312
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		(1,075,151)
Net Position of Governmental Activities (Exhibit "A")		$ 15,989,179

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, 2013

EXHIBIT "D"

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
REVENUES				
Intergovernmental - Federal				
U.S. Department of Education	$ 436,453			$ 436,453
Intergovernmental - Other				
State Appropriations through the Board of Regents of the University System of Georgia	13,370,145			13,370,145
Corporation for Public Broadcasting - Grants	3,236,463			3,236,463
GSFIC			$ 1,633,329	1,633,329
Contributions and Donations				
Foundation for Public Broadcasting in Georgia, Inc.		$ 5,162,295		5,162,295
Interest and Other Investment Income	2	165,557		165,559
Production Grants	1,480,790			1,480,790
Rents and Royalties	2,277,836			2,277,836
Sales and Services	28,440			28,440
Underwriting	1,825,465			1,825,465
Unrealized Gain (Loss) on Investments		497,676		497,676
Miscellaneous	155,599			155,599
Total Revenues	22,811,193	5,825,528	1,633,329	30,270,050
EXPENDITURES				
Current				
Culture and Education	28,703,098	332,731	1,633,329	30,669,158
Excess Of Revenues Over (Under) Expenditures	(5,891,905)	5,492,797	0	(399,108)
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	6,280,000	(6,280,000)		0
FUND BALANCES - BEGINNING	636,904	8,061,223	0	8,698,127
FUND BALANCES - ENDING	$ 1,024,999	$ 7,274,020	$ 0	$ 8,299,019

Net change in fund balances - total governmental funds		$ (399,108)
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	$ 1,293,881	
Depreciation Expense	(6,838,480)	(5,544,599)
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:		
Decrease in Compensated Absences		47,113
The net effect of transactions involving capital assets is to increase net position:		
Net Transfer of Equipment	$ (17,793,930)	
Donated assets	24,989	(17,768,941)
Change in net position of governmental activities (Exhibit "B")		$ (23,665,535)

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

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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 the component unit'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.

Blended Component Unit

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 eleven directors, composed of the Chairperson and the Vice Chairperson of the Commission's Board, two directors elected by the Commission's Board, six 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. To satisfy recent changes to GAAP requirements for the blending of component units, the Foundation's financial activity is presented as a Special Revenue Fund in a separate column on the Statement of Revenue, Expenditures and Changes in Fund Balance. This presentation more accurately depicts the unique relationship between the Commission and the Foundation.

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 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. These goals are accomplished through government-wide financial statements and fund financial statements.

Government-wide Financial Statements
The Statement of Net Position and Statement of Activities report information on all of the non-fiduciary activities of the Commission and its 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 is 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 are 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) operating and capital grants and contributions that are restricted to meeting the operational 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 for each fund category are provided for governmental funds. The major individual governmental funds 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 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 *Special Revenue Fund* is used to account for all financial transactions related to the component unit, the Foundation for Public Broadcasting in Georgia, Inc.

The *Capital Project Fund* accounts for all financial transactions related to the Commission's capital facilities projects funded by the Georgia State Financing and Investment Commission (GSFIC) bonds.

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. General capital asset acquisitions are reported as expenditures in governmental funds.

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

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, 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 OST. This investment is valued at the pool's share price, $1.00 per share.

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 OST 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 due to management deeming them immaterial; accordingly, no allowance for uncollectible accounts has been established.

Inventories
Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of tape stock supplies. The cost of such inventories is recorded as expenditures when consumed rather than when purchased.

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 exceeds $100,000. Equipment is capitalized when the cost of individual items exceeds $5,000 and an estimated useful life in excess of two years. 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	10-50 Years
Equipment	5-20 Years
Vehicles	5-10 Years

Long-Term Liabilities
In the government-wide financial statements, long-term liabilities 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 year end; 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 $487,705 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 Position
In the government-wide financial statements, the difference in the Commission's assets and liabilities is reported as net position. Where applicable, net position is reported in three categories:

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

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

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

E. REVENUES AND EXPENDITURES/EXPENSES

Program Revenues
Amounts reported as 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) operating and capital grants and contributions that are restricted to meeting the operational 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.

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 the maximum of 360 hours of 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 unless an employee that is retiring has a combined total of 960 hours to include unused sick leave and forfeited annual leave. Thus, certain employees who retire with one hundred and twenty days or more of forfeited annual and sick leave or 960 hours or more are entitled to additional service credit in the Employees' Retirement System of Georgia.

F. 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.

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.

NOTE 3: ACCOUNTING CHANGES - ADOPTION OF NEW ACCOUNTING PRINCIPLES

During fiscal year (FY) 2013, the following GASB statements were implemented:

No. 61 The Financial Reporting Entity: Omnibus– an amendment of GASB Statements No.14 and No. 34
No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The objective of Statement No. 61 is to improve financial reporting for a governmental financial reporting entity by modifying certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government (the Commission) and that organization (The Foundation) for it to be included in the reporting entity as a component unit. For organizations that should be included because the state determines that it would be misleading to exclude them, this statement clarifies the manner in which the determination should be made and the types of relationships that generally should be considered in making the determination. The statement also amends certain blending provisions for reporting component units as if they were part of the primary government and clarifies the reporting of equity interests in legally separate organizations.

The objective of Statement No. 63 is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on net position. Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. In the Commission's financial statements, there are no deferred inflows and outflows of resources reported in FY 2013. Previous financial reporting standards do not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities. Net position is defined as the residual of all other elements presented in a statement of financial position. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

NOTE 4: DEPOSITS AND INVESTMENTS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk - 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, 2013 the Commission's deposits bank balance of $1,788,611 was insured and collateralized as part of the State of Georgia Pledging Pool; therefore, none of this amount was exposed to custodial credit risk.

	Cash and Cash Equivalents	Investments
Per Statement of Net Position	$ 1,462,967	$ 6,125,221
Reclassifications to Investments for Risk Assessment Disclosures		
Money market mutual fund	(237,539)	237,539
State investment pool	(1,002)	1,002
Per notes to the financial statements	$ 1,224,426	$ 6,363,762

B. Investments

The Commission's investments as of June 30, 2013 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 Maturity			
Investment Type	**Fair Value**	**Less Than 1 Year**	**1 - 5 Years**	**6 - 10 Years**	**More than 10 Years**
Debt Securities					
Corporate Bonds	$ 1,153,476	$	$ 807,288	$ 336,285	$ 9,903
Money Market Mutual Fund	237,539	237,539			
CMO&Asset Backed Securities	185,681				185,681
Municpal Bonds	291,796		28,973	93,588	169,235
U. S. Agencies	447,192		432,103	15,089	
U. S. Treasury Obligations	338,418	171,153	136,379	30,886	
	$ 2,654,102	$ 408,692	$ 1,404,743	$ 475,848	$ 364,819
Other Investments					
Equity Securities - Domestic	3,708,657				
	$ 6,362,759				

The Commission also holds $1,002 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, 2013 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.

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 Foundation contracts with an investment consultant and professional investment managers to invest assets on the Foundation's behalf. Asset allocations and general investment guidelines are determined by the Foundation's investment policy. Therefore, the organization does not require 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; American Depository Receipts (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 AA+ 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	$ 1,153,476		$ 259,941	$ 705,158	$ 188,377
Money Market Mutual Fund	237,539				237,539
CMO&Asset Backed Securities	185,681	$ 130,505	54,732		444
Municipal Bonds	291,796	99,410	192,386		
U.S. Agencies	447,192	118,187	329,005		
	$ 2,315,684	$ 348,102	$ 836,064	$ 705,158	$ 426,360

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

Custodial Credit Risk-Investments

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, 2013, $6,362,759 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 5: ACCOUNTS RECEIVABLE

Receivables at June 30, 2013 consist of the following:

	Governmental Activities
Other (Services)	$ 1,525,731

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 1,478,948	$ -	$ -	$ 1,478,948
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	26,345,140	734,672	(26,861,834)	217,978
Other Property and Equipment	66,326,404	584,198	(1,477,760)	65,432,842
Total Capital Assets Being Depreciated	92,671,544	1,318,870	(28,339,594)	65,650,820
Less: Accumulated Depreciation For:				
Buildings and Building Improvements	(8,783,642)	(603,712)	9,367,737	(19,617)
Other Property and Equipment	(53,287,998)	(6,234,768)	1,177,928	(58,344,838)
Total Accumulated Depreciation	(62,071,640)	(6,838,480)	10,545,665	(58,364,456)
Governmental Activities Capital Assets, Net	$ 32,078,852	$ (5,519,610)	$ (17,793,930)	$ 8,765,312

Depreciation expense for the fiscal year ended June 30, 2013 was $6,838,480 and the total amount was charged to the Culture and Education function of the Commission.

The Commission entered into an Intergovernmental Agreement with the Board of Regents on July 1, 2013 and transferred Buildings and Building Improvements and Other Property and Equipment located at the Commission's headquarters and the WJSP tower site. This agreement provides general obligation bonds to fund capital projects for the Commission. The net transfer to the Board of Regents of $17,793,930 is included as a decrease to the Commission's assets. The

Commission also received donated assets from the Public Broadcasting Service in the amount of $24,989.

NOTE 7: INTERFUND TRANSFERS

Equally offsetting asset and liability accounts (due from/to other funds) are used to account for amounts owed to a particular fund by another fund for short term obligations on goods sold or services rendered.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of activities between governmental activities and business-type activities. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or requirements for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers of balances between funds are made to accomplish various provisions of law.

The total transfer of funds from the Foundation to the Commission for FY 2013 was $6,280,000. 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.

NOTE 8: 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 $1,042,640 for the year ended June 30, 2013. The future minimum commitments for operating leases as of June 30, 2013 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	
2014	$ 1,038,179
2015	973,263
2016	927,964
2017	1,163,698
2018	-
Total Minimum Commitments	$ 4,103,104

NOTE 9: LONG-TERM LIABILITIES

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 liabilities at June 30, 2013 and changes for the fiscal year then ended are as follows:

	July 1, 2012	Increases	Decreases	June 30, 2013	Amounts Due Within One Year
Compensated Absences	$ 1,122,265	$ 272,125	$ 319,239	$ 1,075,151	$ 321,761

NOTE 10: 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 by 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, 2013.

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, 2013.

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 11: 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 12: 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.

Effective January 1, 2009 newly hired State employees, as well as rehired State employees who not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component described below. ERS members hired prior to January 1, 2009 also have the option to irrevocably 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 2013 were based on the June 30, 2010 actuarial valuation as follows:

Old Plan *	14.90%
New Plan	14.90%
GSEPS	11.54%

* 10.15% 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 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. Options are available for distribution of the member’s monthly pension, at a reduced rate, to a designated beneficiary on the member’s death. 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 fewer 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, 2013 were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010 actuarial valuation. The employer contribution rate will remain at 12.28% effective July 1, 2013.

The following table summarizes the Georgia Public Telecommunications Commission contributions by defined benefit plan for the years ending June 30, 2013, 2012, and 2011 :

	ERS		TRS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2013	$ 869,671	100%	$ 18,444	100%
2012	$ 709,042	100%	$ 16,618	100%
2011	$ 708,124	100%	$ 22,259	100%

GSEPS 401(k) Defined Contribution Component

In addition to the ERS defined benefit pension described above, GSEPS members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the ERS System and was established by the Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the Internal Revenue Code. The GSEPS segment of the 401(k) plan was established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in Federal tax law or for administrative purposes. The State was not required to make significant contributions to the 401(k) plan prior to GSEPS because most members under other segments of the plan either were not State employees or were not eligible to receive an employer match on their contributions.

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 1% of salary, along with a matching contribution from the State. The State will match 100% of the employee's initial 1% contribution. Employees can elect to contribute up to an additional 4% and the State will match 50% of the additional 4% of salary. Therefore, the State will match 3% against the employee's 5% total savings. Contributions greater than 5% do not receive any matching funds.

GSEPS employer contributions are subject to a vesting schedule, which determines eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all State service. Vesting is determined based on the following schedule:

Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) plan also allows participants to roll over amounts from other qualified plans to their respective account in the 401(k) plan on approval of the 401(k) plan administrator. Such rollovers are 100% vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

In 2013, the Georgia Public Telecommunications Commission employer and employee GSEPS contributions were $43,436 and $96,155, respectively.

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, 2013 were $22,612, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

NOTE 13: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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.

Georgia State Employees Post-Employment Health Benefit Fund (State OPEB Fund)

The State OPEB Fund is a cost-sharing multiple-employer defined benefit post-employment healthcare plan and is reported as an employee benefit trust fund.

The State OPEB Fund provides post-employment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

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 plan is currently funded on a pay-as-you go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with no significant assets accumulating as would occur in an advance funding strategy.

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. As of January 1, 2012 for members with fewer than five years of service, contributions also vary based on years of service. As of January 1, 2012 on average, members with five years or more of service pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011 for members with fewer than five years of service as of January 1, 2012 the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers, including but not limited to State organizations, 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 30 years.

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2013 were as follows:

June 2012	27.523% of covered payroll for July 2012 coverage
July – December 2012	35.000% of covered payroll for August 2012 – January 2013 coverage
January – February 2013	24.454% of covered payroll for February – March 2013 coverage
March – June 2013	25.366% of covered payroll for April – July 2013 coverage

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the State OPEB Fund to pre-fund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for OPEB 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 ended June 30, 2013 2012, and 2011:

	Required Contribution	Percent Contributed
2012	$ 2,032,473	100%
2011	$ 2,258,667	100%
2010	$ 1,823,573	100%

State Employees' Assurance Department (SEAD)

SEAD-OPEB and SEAD-Active are cost-sharing multiple-employer defined benefit post-employment plans that were created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to eligible members of the ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). SEAD-OPEB provides benefits for retired and vested inactive members, and SEAD-Active provides benefits for active members. Effective July 1, 2009 no newly hired members of any State public retirement system are eligible for term life insurance under SEAD. Pursuant to Title 47 of the OCGA, benefit provisions of the plans were established and can be amended by State statute.

Contributions by plan members are established by the ERS Board of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The ERS Board of Trustees establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. Contributions for fiscal year 2013 were based on June 30, 2010 actuarial valuations as follows:

	SEAD-OPEB	**SEAD-Active**	**Total SEAD**
Member Rates:			
ERS Old Plan	0.45%	0.05%	0.50%
Less: Offset Paid by Employer	-0.22%	-0.03%	-0.25%
Net ERS Old Plan	0.23%	0.02%	0.25%
ERS New Plan,JRS,and LRD	0.23%	0.02%	0.25%
Employer Rates:	0.27%	0.00%	0.27%

The ERS Board of Trustees voted and approved that the SEAD-OPEB contribution would be paid from existing assets of the Survivors Benefit Fund (SBF) instead of requiring payment by the employers. The contributions by SBF made on-behalf of the Georgia Public Telecommunications Commission for fiscal years 2013 and 2012 were estimated to be $10,361 and $27,399 respectively. There were no required employer contributions for the fiscal year ended June 30, 2011.

According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The net assets represent the excess accumulation of investment income and premiums over benefit payments and expenses and are held as a reserve for payment of death benefits under existing policies.

NOTE 14: NONMONETARY TRANSACTIONS

During the year ended June 30, 2013 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.

Institution	GPB Facility	In-Kind Contribution
Armstrong Atlantic State University	WSVH-FM	$ 24,640
Georgia Highlands College	WGPB-FM	17,463
Georgia Regents University	WACG-FM	27,967
Mercer University	WMUM-FM	62,555
Piedmont College	WPPR-FM	4,347
University of Georgia	WUGA-FM	786,687
Total In-Kind Contributions		$ 923,659

NOTE 15: 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, 2013.

NOTE 16: SUBSEQUENT EVENTS

General Obligation Bonds and Capital Projects

The Georgia Public Telecommunications Commission entered into a forty year intergovernmental agreement with the Board of Regents effective July 1, 2012. The Commission will transfer other property and equipment at its headquarters location and the WJSP tower site to the Board of Regents. This transfer is required to obtain the use of general obligation bonds sold in the Board of Regents name on behalf of the Commission. The Commission, an authority created after 1967, cannot have bonds in its name. The intergovernmental agreement allows the Commission to utilize these funds. The following bond projects in FY 2014 are:

Facility Repairs and Equipment, 5 year bonds, $3,760,000

These general obligation bonds were sold on July 18, 2013. This intergovernmental agreement created a new capital projects fund within GPTC's financial statements beginning with FY 2013. The Commission recently submitted a request to the Governor's Office of Planning and Budget for additional capital project funding as part of the FY 2015 budget. The intergovernmental agreement is designed to accommodate future general obligation bond issues for the Commission. All equipment and property will be transferred back to the ownership of the Commission upon the termination of the agreement with the Board of Regents. It is anticipated that any current and future year bond issues will be paid for in full within twenty years.

Health Benefits

As a body corporate and politic, the Georgia Public Telecommunications Commission is eligible to participate and withdraw from the State Employees Plan offered under the Georgia Department of Community Health's State Health Benefit Plan. In August 2013, the Commission provided a mandatory 90 day notice to the Georgia Department of Community Health of its decision to withdraw from the State Health Benefit Plan. The Commission will establish a stand-alone health plan through Cigna which will result in substantially lower health insurance costs for the organization and for all participating employees and recent retirees. The new plan with Cigna will become effective November 1, 2013. These changes will affect the FY 2014 budget and financial statements.

SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013

SCHEDULE " 1 "

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance- Favorable (Unfavorable)
Funds Available				
Revenues				
Other Revenues Retained	$ 29,146,851	$ 29,268,671	$ 28,650,130	$ (618,541)
Expenditures				
Culture And Education	$ 29,146,851	$ 29,268,671	29,090,557	178,114
Excess of Funds Available over Expenditures			$ (440,427)	$ (440,427)

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"	$ 28,650,130
Differences - Budget to GAAP:	
For budget purposes, certain adjustments to prior year revenue/receivable items are considered fund balance adjustments rather than revenue items for financial reporting purposes.	(13,410)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	$ 28,636,720
Uses/outflows for resources	
Actual amounts (budgetary basis) "expenditures"	$ 29,090,557
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.	(114,956)
For budget purposes, encumbrances are reported as expenditures in the year purchase orders are issued but are expensed when invoiced for financial reporting purposes.	(272,503)
For budget purposes, expenditures in the Foundation are non-budgetary.	332,731
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	$ 29,035,829

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<u>SECTION II</u>

<u>INTERNAL CONTROL AND COMPLIANCE REPORT</u>

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2180

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*

Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Georgia Public Telecommunications Commission
and
Ms. Teya Ryan, President and Chief Executive Officer

We have audited, in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Georgia Public Telecommunications Commission, a component unit of the State of Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Georgia Public Telecommunications Commission's basic financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Georgia Public Telecommunications Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Georgia Public Telecommunications Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Georgia Public Telecommunications Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* that we consider to be a significant deficiency.

Accounting Controls (Overall)
Expenses/Expenditures and Liabilities
Financial Reporting and Disclosure
Inaccurate Annual Leave Balances
FS-977-13-01

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Georgia Public Telecommunications Commission's Response to Findings

Georgia Public Telecommunications Commission's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. Georgia Public Telecommunications Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Greg S. Griffin

Greg S. Griffin
State Auditor

September 30, 2013

GSG:mj

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SECTION III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-977-13-01 Inaccurate Annual Leave Balances

Control Category:	Accounting Controls (Overall) Expenses/Expenditures and Liabilities Financial Reporting and Disclosure
Internal control Impact:	Significant Deficiency

The Georgia Public Telecommunications Commission (Commission) did not adequately review and approve selected annual leave requests in the online time and attendance system resulting in inaccurate leave balances being recorded within TeamWorks.

Criteria:
The Georgia Public Broadcasting's Organizational Policy Manual in regards to Employee Leave – Paid Section No. V-D Part 3 states, "The Division Director is authorized to approve the use of annual leave." and "In order to use accrued annual leave, each employee shall complete a Personnel Leave Report and submit it to the Division Director (through the immediate supervisor) prior to the absence, in a timely manner." Additionally, "The Division Director or his designee should submit the Leave Record form and the Personnel Leave Report to the Payroll Office prior to the payroll deadline."

Condition:
Our audit included testing the approvals and accuracy of all annual leave requests within the online time and attendance system for 39 of 82 employees for the months of April, May and June 2013. For the annual leave requests tested, we found nine (9) instances involving seven (7) employees where the use of leave had not been approved by the manager/supervisor or Human Resources (HR) was unable to show an HR approval. In addition, six (6) instances involving four (4) employees were noted where the leave was inaccurately recorded in TeamWorks compared to the online time and attendance system. When projected across the entire population, it is likely that up to 10% of employees could have inaccurate leave balances.

Cause:
When discussing our differences with the Commission's HR department personnel, they stated that supervisors occasionally miss the deadlines for approval of annual leave requests before the leave balance activity uploads from the Commission's online time and attendance system into TeamWorks. Due to this, HR has to provide an approval and manual upload into TeamWorks. However, HR does not have the ability to show approval of the leave requests in their system. HR also indicated it cannot perform a

timely reconciliation to verify the TeamWorks leave to the leave requests due to inadequacies in the design of the time and attendance system.

Effect or Potential Effect:
Due to the deficiencies noted involving the annual leave balances, the liability for compensated absences as reported by the Commission is known to be overstated by \$983.19. Also, due to the possibility that up to 10% of the Commission's employees could have inaccurate leave balances, it is likely additional misstatements exist. However, it would require additional testing to be able to determine that amount.

Recommendation:
The Georgia Public Telecommunications Commission should review and evaluate their existing controls and either modify those controls or implement new controls, as needed, to ensure that annual leave transactions are adequately reviewed, approved, and accurately recorded within TeamWorks. This should include a periodic reconciliation of leave balances between TeamWorks and the Commission's online time and attendance system.

Views of Responsible Officials and Corrective Action Plan:
We concur with the finding.

It is the practice of GPTC's HR department to conduct internal reviews of all leave requests for employees. The HR staff continues to work with the vendor to address custom design needs that arise with the automated system.

A parallel test was performed in March 2013 and no leave balance discrepancies resulted from the initial beta test. In addition, the vendor closely worked with the State Accounting Office (SAO) to ensure that all files and data transmitted correctly to TeamWorks.

The control deficiencies that have been identified by the auditors included non-approval of time by managers and employee leave data entry errors. GPTC began an internal audit and reconciliation of both systems but was unable to conclude our findings before year end close. GPTC has already corrected any discrepancies that were identified by the auditors.

We continue to work with the vendor and monitor the systems capabilities to ensure that modifications are made to meet the needs of GPTC. Internal auditing of all leave and reconciliations between the two systems is critical and is a part of the HR department's processes. Therefore, in an effort to resolve these issues, we have established a corrective action plan as noted below. In summation, this system and process is new and we continue to monitor the success and challenges. We are eager to explore ways to mitigate any test and control deficiencies with the on-line time and attendance system and TeamWorks.

The GPTC HR department will continue to complete its internal audit to include aggressively working with the vendor to address GPTC's specific needs and customization of the software. The following recommendations have already been provided to the vendor: 1) An "Alert to Managers" button, a "Reject/Push Back to Requestor" button to approve leave requests and time cards. 2) The creation of a "Needs Approval" button or "Override Approval" button to make corrections or adjustments for HR staff. The current system only allows a "Denial" feature. 3) Request that the system not lock out HR staff administrators to provide final reconciliation of data before converting to TeamWorks. 4) If these concerns cannot be addressed by the vendor, GPTC is prepared to explore new options.

GPTC's HR department will address the following: 1) Use a paper timesheet process when reconciliations occur that cannot be supported by the online system that requires manual entry by the HR staff. This will ensure appropriate documentation. 2) Conduct periodic training to include "Frequently Asked Questions" and a manager's review to refresh staff on the correct process. 3) Send notifications to any employees or managers that do not follow the process to explain the consequences that impact data and system reconciliation. 4) Keep on file a readily accessible copy of the monthly internal leave audit performed by HR demonstrating the comparison of data entry for the online system and TeamWorks.

Estimated Completion Date: November 15, 2013

Contact Person: Veronica Pemberton Daniels, Human Resources Director
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