Fiscal Year 2014

# Georgia Public Telecommunications Commission

## A Component Unit of the State of Georgia

# Audit Report

## For the Fiscal Year Ended June 30, 2014

(with summarized comparative information for the fiscal year ended June 30, 2013)

Department of Audits and Accounts

Greg S. Griffin
State Auditor

## Georgia Public Telecommunications Commission

## Audit Report

## For the Fiscal Year Ended June 30, 2014

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# SECTION I

# FINANCIAL

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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
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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, each major fund, and the aggregate remaining fund information of the Georgia Public Telecommunications Commission, a component unit of the State of Georgia, as of and for the year ended June 30, 2014, 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, each major fund, and the aggregate remaining fund information of the Georgia Public Telecommunications Commission, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited the Georgia Public Communications Commission's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Emphasis of Matter*

As described in Note 3 to the financial statements, in 2014, Georgia Public Telecommunications Commission implemented new accounting principles GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Our opinion is not modified with respect to these matters.

## 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 and information on other postemployment benefits on page 47 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-General Fund (Schedule 2) on page 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures-Budget and Actual-General Fund (Schedule 2) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 and other records used to prepare the basic 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-General Fund (Schedule 2) 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 November 14, 2014 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

November 14, 2014

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The following is a discussion and analysis of the financial performance of the Georgia Public Telecommunications Commission (doing business as Georgia Public Broadcasting, GPB). It provides an overview of the activities for the fiscal year ended June 30, 2014 and compares them to fiscal year ended June 30, 2013. 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 2014, Georgia Public Broadcasting's combined ending net position totaled $13,202,130. Of this total, $4,683,458 is invested in capital assets and $8,518,672 is unrestricted.

### Long-term Liabilities

GPB's total long-term liabilities consist of $817,612 in compensated absences and $427,095 in other post-employment benefit obligations.

## 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 required 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 doing business as 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 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.

**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 Required Information**
In addition to this management's discussion and analysis, which is required supplementary information, the basic financial statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements. This section, which begins on page 45 of this report, consists of a schedule of GPB's funding progress for other postemployment benefits. Other supplementary information that is not required begins on page 49 and consists of a General Fund Statement of Revenues and Expenditures Budget and Actual Statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

*Georgia Public Telecommunications Commission Net Position*

| | 2014 | 2013 |
|---|---|---|
| Capital Assets, Net of Depreciation | $ 4,683,458 | $ 8,765,312 |
| Othe Assets | 10,796,538 | 9,123,591 |
| Total Assets | 15,479,996 | 17,888,903 |
| Other Liabilities | 1,033,159 | 824,573 |
| Long-Term Liabilities | | |
| Current | 292,681 | 321,761 |
| Noncurrent | 952,026 | 753,390 |
| Total Liabiltiies | 2,277,866 | 1,899,724 |
| Net Positions | | |
| Net Investment in Capital Assets | 4,683,458 | 8,765,312 |
| Unrestricted | 8,518,672 | 7,223,867 |
| Total Net Position | $ 13,202,130 | $ 15,989,179 |

The largest component (35%) of GPB's net position is the investment in Capital Assets (e.g. land, buildings and equipment) of $4,683,458. The remaining balance of $8,518,672 (65%) 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 fiscal year 2014 and 2013:

| | 2014 | 2013 |
|---|---|---|
| Revenues | | |
| Program Revenues | | |
| Charges for Services | $ 6,282,151 | $ 5,757,768 |
| Operating Grants and Contributions | 9,720,962 | 8,845,572 |
| Capital Grants and Contributions | 3,876,390 | 1,633,329 |
| Program Revenues | | |
| Intergovernmental - Other | 14,513,070 | 13,370,145 |
| Unrestricted Investement Earnings | 908,742 | 663,235 |
| Transfers | (1,170,026) | (17,768,941) |
| Total Revenues and Transfers | 34,131,289 | 12,501,108 |
| Expenses | | |
| Culture and Education | 36,918,338 | 36,166,643 |
| Increase (Decrease) in Net Position | (2,787,049) | (23,665,535) |
| Net Position - Beginning | 15,989,179 | 39,654,714 |
| Total Net Position - Ending | $ 13,202,130 | $ 15,989,179 |

The increase in revenues and transfers from FY 2013 to FY 2014 is primarily due to a net transfer out of equipment to the Board of Regents for property and equipment at GPB's headquarters location and the WJSP tower site. The Commission entered into an Intergovernmental Agreement with the Board of Regents on July 1, 2012 and a total transfer of $17,793,930 was made to the Board of Regents in FY 2013. In addition, the remaining increase is attributable to increased revenue in all categories compared to the prior year.

## 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, 2014 the General Fund had $16,791 in non-spendable fund balance, $604,207 in assigned fund balance for encumbrances and $1,086,243 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, 2014 the Special Revenue Fund has $7,153,554 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, 2014 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 $31,016,385 was decreased by $480,000 during the fiscal year. Expenditures on a budgetary basis were under budget and less than revenues by $1,644,216.

## CAPITAL ASSETS

Georgia Public Broadcasting's investment in capital assets as of June 30, 2014, amounts to $65,771,778 which--with accumulated depreciation of $61,088,320--leaves a net book value of $4,683,458. This investment in capital assets includes land, buildings and equipment. The actual depreciation charges for the year totaled $5,917,817. 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 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 sold on its behalf. This transfer is included as a decrease to the Commission's assets of $1,170,026.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Georgia continues to experience increasingly strong economic growth during recent years, a trend that is expected to continue into future fiscal years. This continued economic growth is projected to meet mandatory growth obligations in education, healthcare and pensions while maintaining the current level of funding for other core state services. The Commission, like most state agencies, was not permitted to request additional state funding in the FY 2016 general appropriations budget nor the amended budget for FY 2015. Most agencies have been asked to maintain their current funding level for their agency.

The current state appropriation is approximately 45% of GPB's annual budget. To meet expenditures, GPB must raise approximately $17 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
Chief Financial Officer
260 14th Street N.W.
Atlanta, Georgia 30318-5360

# BASIC FINANCIAL STATEMENTS

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2014
(with summarized comparative information for the fiscal year ended June 30, 2013)

EXHIBIT "A"

| | Governmental Activities 2014 | Governmental Activities 2013 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ 2,177,241 | $ 1,462,967 |
| Investments | 6,476,183 | 6,125,221 |
| Accounts Receivable | | |
| Other | 2,126,323 | 1,525,731 |
| Inventories | 16,791 | 9,672 |
| Capital Assets: | | |
| Land | 1,478,948 | 1,478,948 |
| Buildings and Building Improvements | 217,978 | 217,978 |
| Other Property and Equipment | 64,074,852 | 65,432,842 |
| Less: Accumulated Depreciation | (61,088,320) | (58,364,456) |
| Total Assets | 15,479,996 | 17,888,903 |
| **LIABILITIES** | | |
| Accounts Payable and Other Accruals | 926,407 | 662,695 |
| Unearned Revenue | 106,752 | 161,878 |
| Noncurrent Liabilities: | | |
| Due Within One Year: | | |
| Compensated Absences | 292,681 | 321,761 |
| Due in More Than One Year: | | |
| Compensated Absences | 524,931 | 753,390 |
| Other Post-Employment Benefit Obligations | 427,095 | 0 |
| Total Liabilities | 2,277,866 | 1,899,724 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 4,683,458 | 8,765,312 |
| Unrestricted | 8,518,672 | 7,223,867 |
| Total Net Position | $ 13,202,130 | $ 15,989,179 |

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

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2014
(with summarized comparative information for the fiscal year ended June 30, 2013)

EXHIBIT "B"

| | | Program Revenues 2014 | | | Net (Expense) Revenue and Changes in Net Assets | |
|---|---|---|---|---|---|---|
| | | | | | Governmental Activities | |
| **Functions/Programs** | Expenses 2014 | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | 2014 | 2013 |
| Governmental Activities | | | | | | |
| Culture and Education | $ 36,918,338 | $ 6,282,151 | $ 9,720,962 | $ 3,876,390 | $ (17,038,835) | $ (19,929,974) |
| Total Governmental Activities | $ 36,918,338 | $ 6,282,151 | $ 9,720,962 | $ 3,876,390 | (17,038,835) | (19,929,974) |
| General Revenues | | | | | | |
| Intergovernmental - Other | | | | | 14,513,070 | 13,370,145 |
| Unrestricted Investment Earnings | | | | | 908,742 | 663,235 |
| Transfers | | | | | (1,170,026) | (17,768,941) |
| Total General Revenues and Transfers | | | | | 14,251,786 | (3,735,561) |
| Change in Net Position | | | | | (2,787,049) | (23,665,535) |
| Net Position - Beginning | | | | | 15,989,179 | 39,654,714 |
| Net Position - Ending | | | | | $ 13,202,130 | $ 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, 2014
(with summarized comparative information for the fiscal year ended June 30, 2013)

| | General Fund | Special Revenue Fund | Capital Project | Total Governmental Funds 2014 | Total Governmental Funds 2013 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 829,105 | $ 1,580,159 | | $ 2,409,264 | $ 1,729,829 |
| Investments | | 6,476,183 | | 6,476,183 | 6,125,221 |
| Accounts Receivable | | | | | |
| Other | 1,890,962 | | $ 235,361 | 2,126,323 | 1,525,731 |
| Inventories | 16,791 | | | 16,791 | 9,672 |
| Total Assets | $ 2,736,858 | $ 8,056,342 | $ 235,361 | $ 11,028,561 | $ 9,390,453 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities | | | | | |
| Cash Overdraft | | | $ 232,023 | $ 232,023 | $ 266,862 |
| Accounts Payable and Other Accruals | $ 922,865 | $ 204 | 3,338 | 926,407 | 662,695 |
| Unearned Revenue | 106,752 | | | 106,752 | 161,878 |
| Total Liabilities | 1,029,617 | 204 | 235,361 | 1,265,182 | 1,091,435 |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Inventory | 16,791 | | | 16,791 | $ 9,672 |
| Assigned | 604,207 | 902,584 | | 1,506,791 | 487,705 |
| Unassigned | 1,086,243 | 7,153,554 | 0 | 8,239,797 | 7,801,642 |
| Total Fund Balances | 1,707,241 | 8,056,138 | 0 | $ 9,763,379 | $ 8,299,019 |
| Total Liabilities and Fund Balances | $ 2,736,858 | $ 8,056,342 | $ 235,361 | | |

| | | 2014 | 2013 |
|---|---|---|---|
| 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 | 64,074,852 | | |
| Accumulated Depreciation | (61,088,320) | | |
| Total Capital Assets | | 4,683,458 | 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 | | $ (817,612) | $ (1,075,151) |
| Other Post-Employment Benefit Obligations | | (427,095) | 0 |
| | | (1,244,707) | (1,075,151) |
| Net Position of Governmental Activities (Exhibit "A") | | $ 13,202,130 | $ 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
FOR FISCAL YEAR ENDED JUNE 30, 2014
(with summarized comparative information for the fiscal year ended June 30, 2013)

EXHIBIT "D"

| | General Fund | Special Revenue Fund | Capital Project | Total Governmental Funds 2014 | Total Governmental Funds 2013 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Intergovernmental - Federal | | | | | |
| U.S. Department of Education | $ 299,777 | | | $ 299,777 | $ 436,453 |
| U.S. Department of Agriculture | 95,000 | | | 95,000 | |
| Intergovernmental - Other | | | | | |
| State Appropriations through the Board of Regents of the University System of Georgia | 14,513,070 | | | 14,513,070 | 13,370,145 |
| Corporation for Public Broadcasting - Grants | 3,402,588 | | | 3,402,588 | 3,236,463 |
| GSFIC | | | $ 3,876,390 | 3,876,390 | 1,633,329 |
| Contributions and Donations | | | | | |
| Foundation for Public Broadcasting in Georgia, Inc. | | $ 5,923,597 | | 5,923,597 | 5,162,295 |
| Interest and Other Investment Income | 1 | 147,585 | | 147,586 | 165,559 |
| Production Grants | 1,619,660 | | | 1,619,660 | 1,480,790 |
| Rents and Royalties | 2,693,555 | | | 2,693,555 | 2,277,836 |
| Sales and Services | 19,570 | | | 19,570 | 28,440 |
| Underwriting | 1,735,890 | | | 1,735,890 | 1,825,465 |
| Unrealized Gain (Loss) on Investments | | 761,156 | | 761,156 | 497,676 |
| Miscellaneous | 219,908 | | | 219,908 | 155,599 |
| Total Revenues | 24,599,019 | 6,832,338 | 3,876,390 | 35,307,747 | 30,270,050 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Culture and Education | 29,566,777 | 400,220 | 3,876,390 | 33,843,387 | 30,669,158 |
| Excess Of Revenues Over (Under) Expenditures | (4,967,758) | 6,432,118 | 0 | 1,464,360 | (399,108) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Interfund Transfers | 5,650,000 | (5,650,000) | | 0 | 0 |
| **FUND BALANCES - BEGINNING** | 1,024,999 | 7,274,020 | 0 | 8,299,019 | 8,698,127 |
| **FUND BALANCES - ENDING** | $ 1,707,241 | $ 8,056,138 | $ 0 | $ 9,763,379 | $ 8,299,019 |

| | | | | |
|---|---|---|---|---|
| Net change in fund balances - total governmental funds | | $ 1,464,360 | $ (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 | $ 3,005,989 | | |
| Depreciation Expense | (5,917,817) | (2,911,828) | (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 | | 257,540 | 47,113 |
| Increase in Other Post-Employment Benefit Obligations | | (427,095) | 0 |
| The net effect of transactions involving capital assets is to increase net position: | | | |
| Net Transfer of Equipment | (1,170,026) | (1,170,026) | (17,768,941) |
| Change in net position of governmental activities (Exhibit "B") | | $ (2,787,049) | $ (23,665,535) |

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

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## INDEX

## 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 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 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 is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) 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 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.

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

***Investments***

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

***Accounts Receivable***

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

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

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

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

**Restricted Fund Balance –** This classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed Fund Balance –** This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

**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 $604,207 are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. The Special Revenue Fund has an assigned fund balance of $902,584 which represents funding for radio programs.

***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:

**Net investment in capital assets** consists of capital assets, net of accumulated depreciation.

**Restricted net position** results 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 a 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 reviewed 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 2014, the following GASB statements were implemented:

***No. 65 Items Previously Reported as Assets and Liabilities***

The objective of Statement No. 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. 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 fiscal year 2014.

***No. 66 Technical Corrections - 2012 - An amendment of GASB Statements No. 10 and No.62***

The objective of Statement No. 66 is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. The adoption of the Statement did not require modification to the financial statements in fiscal year 2014.

***No. 70 Accounting and Financial Reporting for Non-Exchange Financial Guarantees***

The objective of Statement No. 70 is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a non-exchange transaction to report the obligation until legally released as an obligor. It also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity non-exchange financial guarantees involving blended component units. It specifies the information required to be disclosed by governments that extend non-exchange financial guarantees and requires new information to be disclosed by governments that receive non-exchange financial guarantees. The adoption of the Statement did not require modification to the financial statements in fiscal year 2014.

In fiscal year 2015, the Commission will implement Statement No. 68 - *Accounting and Financial Reporting for Pensions* - *An Amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. At this time, the amount of the pension liability is not available, but is expected to have a material effect on the financial position for fiscal year 2015.

## 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, 2014 the Commission's deposits bank balance of $1,714,265 was insured and collateralized as part of the State of Georgia Pledging Pool; therefore, none of this amount was exposed to custodial credit risk.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Cash & Cash Equivalents | Investments | Cash & Cash Equivalents | Investments |
| Per Statement of Net Position | $ 2,177,241 | $ 6,476,183 | $ 1,462,967 | $ 6,125,221 |
| Reclassifications to Investments for Risk Assessment Disclosures | | | | |
| Money market mutual fund | (795,317) | 795,317 | (237,539) | 237,539 |
| Per Notes to the Financial Statements | $ 1,381,924 | $ 7,271,501 | $ 1,225,428 | $ 6,362,760 |

## B. Investments

The Commission's investments as of June 30, 2014 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 | Less Than 1 Year | 1 - 5 Years | 6 - 10 Years | More than 10 Years | Fair Value 2014 | Fair Value 2013 |
| Debt Securities | | | | | | |
| Corporate Bonds | $ | $ 564,647 | $ 388,961 | $ 5,053 | $ 958,661 | $ 1,153,476 |
| Money Market Mutual Fund | 795,317 | | | | 795,317 | 237,539 |
| CMO&Asset Backed Securities | | | | 151,953 | 151,953 | 185,681 |
| Municpal Bonds | | | 94,472 | 100,187 | 194,659 | 291,796 |
| U. S. Agencies | | 88,132 | | | 88,132 | 447,192 |
| U. S. Treasury Obligations | 260,864 | 256,353 | 8,176 | | 525,393 | 338,418 |
| | $ 1,056,181 | $ 909,132 | $ 491,609 | $ 257,193 | $ 2,714,115 | $ 2,654,102 |
| Other Investments | | | | | | |
| Equity Securities - Domestic | | | | | 4,557,386 | 3,708,657 |
| | | | | | $ 7,271,501 | $ 6,362,759 |

***Interest Rate Risk***

Interest rate risk is the chance 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 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 by the manager's/advisor's 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 ($250,000 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.

| | Quality Ratings | | | | | Fair Value | Fair Value |
|---|---|---|---|---|---|---|---|
| **Rated Debt Investments** | **AAA** | **AA** | **A** | **BBB** | **Unrated** | **2014** | **2013** |
| Corporate Debt | $ | $ 185,958 | $ 551,024 | $ 7,974 | $ 213,705 | $ 958,661 | $ 1,153,476 |
| Money Market Mutual Fund | | | | | 795,317 | 795,317 | 237,539 |
| CMO&Asset Backed Securities | 102,324 | 49,629 | | | | 151,953 | 185,681 |
| Municipal Bonds | 72,259 | 122,400 | | | | 194,659 | 291,796 |
| U.S. Agencies | | 88,132 | | | | 88,132 | 447,192 |
| | $ 174,583 | $ 446,119 | $ 551,024 | $ 7,974 | $ 1,009,022 | $ 2,188,722 | $ 2,315,864 |

***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, 2014, $7,271,501 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 consist of the following:

| | Governmental Activities | |
|---|---|---|
| | **2014** | **2013** |
| Other (Services) | $ 2,126,323 | $ 1,525,731 |

## NOTE 6: CAPITAL ASSETS

Capital asset activity at June 30, 2014 and June 30, 2013 is as follows:

| Governmental Activities: | Beginning Balance 2014 | Increases | Decreases | Ending Balance 2014 |
|---|---|---|---|---|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 1,478,948 | $ - | $ - | $ 1,478,948 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Building Improvements | 217,978 | 398,128 | (398,128) | 217,978 |
| Other Property and Equipment | 65,432,842 | 2,607,861 | (3,965,851) | 64,074,852 |
| Total Capital Assets Being Depreciated | 65,650,820 | 3,005,989 | (4,363,979) | 64,292,830 |
| Less: Accumulated Depreciation For: | | | | |
| Buildings and Building Improvements | (19,617) | (4,905) | - | (24,523) |
| Other Property and Equipment | (58,344,838) | (5,912,912) | 3,193,953 | (61,063,797) |
| Total Accumulated Depreciation | (58,364,456) | (5,917,817) | 3,193,953 | (61,088,320) |
| Governmental Activities Capital Assets, Net | $ 8,765,312 | $ (2,911,828) | $ (1,170,026) | $ 4,683,458 |

| **Governmental Activities:** | **Beginning Balance 2013** | **Increases** | **Decreases** | **Ending Balance 2013** |
|---|---|---|---|---|
| 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, 2014 was $5,917,817 and the total amount was charged to the Culture and Education function of the Commission.

The Commission entered into a 40-year Intergovernmental Agreement with the Board of Regents effective July 1, 2012. In exchange for transferring Buildings and Building Improvements and Other Property and Equipment located at the Commission's headquarters and the WJSP tower site to the Board of Regents, the Commission receives the proceeds of general obligation bond funds sold in the Board of Regents' name. As an authority created after 1967, the Commission cannot have bonds sold on its behalf.

Under the terms of the Agreement, the Commission continues to use and maintain its headquarters site and the WJSP tower site. The Commission is also permitted to improve these sites. Title to any improvements at these sites is transferred to the Board of Regents as the improvements are completed. The net transfer to the Board of Regents of $1,170,026 is included as a decrease to the Commission's assets in fiscal year 2014.

## 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 2014 was $5,650,000. 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 $1,049,738 for the year ended June 30, 2014. The future minimum commitments for operating leases as of June 30 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 | 2013 |
|---|---|---|
| 2014 | $ - | $ 1,038,179 |
| 2015 | 1,037,658 | 973,263 |
| 2016 | 928,270 | 927,964 |
| 2017 | 1,163,698 | 1,163,698 |
| 2018 | - | - |
| Total Minimum Commitments | $ 3,129,626 | $ 4,103,104 |

## NOTE 9: LONG-TERM LIABILITIES

Long-term obligations at June 30 and changes for the fiscal year 2014 and 2013 are as follows:

| Fiscal Year 2014 | July 1, 2013 | Increases | Decreases | June 30, 2014 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 1,075,151 | $ 304,386 | $ 561,925 | $ 817,612 | $ 292,681 |
| Other Post Employment Benefit Obligation | - | 427,095 | - | 427,095 | - |
| | $ 1,075,151 | $ 731,481 | $ 561,925 | $ 1,244,707 | $ 292,681 |

| Fiscal Year 2013 | July 1, 2012 | Increases | Decreases | June 30, 2013 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 1,122,265 | $ 272,125 | $ 319,239 | $ 1,075,151 | $ 321,761 |
| | $ 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, 2014.

***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, 2014.

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 did 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 2014 were based on the June 30, 2011 actuarial valuation as follows:

| | |
|---|---|
| Old Plan * | 18.46% |
| New Plan | 18.46% |
| GSEPS | 15.18% |

* 13.71% 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, 2014 were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011 actuarial valuation.

The following table summarizes the Georgia Public Telecommunications Commission contributions by defined benefit plan for the years ending June 30, 2014, 2013, and 2012 :

| | ERS | | | TRS | | |
|---|---|---|---|---|---|---|
| | | Required Contribution | Percent Contributed | | Required Contribution | Percent Contributed |
| 2014 | $ | 1,061,780 | 100% | $ | 20,083 | 100% |
| 2013 | $ | 869,671 | 100% | $ | 18,444 | 100% |
| 2012 | $ | 709,042 | 100% | $ | 16,618 | 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 2014, the Georgia Public Telecommunications Commission employer and employee GSEPS contributions were $52,635 and $121,846, 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, 2014 were $11,491, 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 post-employment benefit plans:

Administered by the ERS System:
  State Employees' Assurance Department (SEAD) OPEB
  State Employees' Assurance Department (SEAD) Active

Administered by the Department of Community Health (DCH):
  Georgia State Employees Post-Employment Health Benefit Fund (State OPEB Fund) – July 1, 2013 - October 31, 2013

Administered by the Georgia Public Telecommunications Commission (GPTC):

Georgia Public Telecommunications Commission Post-Employment Health Benefit Plan (GPTC OPEB Plan) – Beginning November 1, 2013

Separate financial reports that include the applicable financial statements and required supplementary information for the plans administered by DCH and ERS are publicly available and may be obtained from the offices that administer the plans.

***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 2014 were based on June 30, 2011 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:** | 0.00% | 0.00% | 0.00% |

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, 2014.

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.

For SEAD-Active the amount of insurance coverage is equal to 18 times monthly earnable compensation frozen at age 60. For members with no creditable service prior to April 1, 1964, the amount decreases from age 60 by a half of 1% per month until age 65 at which point the member will be covered for 70% of the age 60 coverage. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the member.

For SEAD-OPEB the amount of insurance for a retiree with creditable service prior to April 1, 1964, is the full amount of insurance under SEAD-Active in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964, is 70% of the amount of insurance under SEAD-Active at age 60 or at termination, if earlier. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the retiree.

***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, 2014 were as follows:

| | |
|---|---|
| June 2013 | 25.366% of of covered payroll for July 2013 coverage |
| July-October 2013 | 30.781% of covered payroll for August-November 2013 coverage |

No additional contribution was required by the Board for fiscal year 2014 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, 2014 2013, and 2012:

| | Required Contribution | Percent Contributed |
|---|---|---|
| 2014 | $ 522,640 | 100% |
| 2013 | $ 2,032,473 | 100% |
| 2012 | $ 2,258,667 | 100% |

***Georgia Public Telecommunications Commission Post-Employment Health Benefit Plan (GPTC OPEB Plan)***

On November 1, 2013, the Georgia Public Telecommunications Commission began administering their own retiree health insurance plan. The GPTC OPEB Plan is a single-employer defined benefit post-retirement health care plan, or other post-employment benefit (OPEB Plan). Coverage starts immediately at retirement, provided the retiree makes proper premium payments. Also, spousal coverage is provided for the lifetime of the participant and dependents may participate for the lifetime of the retiree as long as the retiree pays the required monthly contribution for dependent coverage and the dependent is eligible to continue coverage based on age requirements. The Georgia Public Telecommunications Commission as an authority of the State of Georgia has the authority to establish and amend benefit provisions.

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 are established and may be amended by the Commission. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. Retirees are required to pay 10% of the premium through their required contributions of $48.76 to $55.07 per month for retiree-only coverage, $102.41 to $115.65 for retiree and spouse coverage, and $146.32 to $165.22 for retiree plus family coverage. However, Medicare becomes the primary coverage at the eligible age of coverage.

The following schedule (derived from the first actuarial valuation report) reflects membership for the OPEB Plan as of June 30, 2014.

| | | |
|---|---|---|
| Active Members | | 109 |
| Annual Compensation | $ | 6,421,938 |
| Retired Members | | 5 |

*Annual OPEB Cost and Net OPEB Obligation*
The Commission's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was pro-rated to reflect the OPEB Plan's implementation on November 1, 2013. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the GPTC's OPEB cost for the year, the amount actually contributed to the plan, and changes in the GPTC's net OPEB obligation.

| | | |
|---|---|---|
| Employer Annual Required Contribution (ARC) | $ | 469,036 |
| Interest on Net OPEB Obligation | | - |
| Adjustment to Annual Required Contribution | | - |
| Annual OPEB Cost (Expense) | | 469,036 |
| Employer Contributions Made for FY 2014 | | 41,941 |
| Increase (Decrease) in Net OPEB Oligation | | 427,095 |
| Net OPEB Obligation - Beginning of Fiscal Year | | - |
| Net OPEB Obligation - End of Fiscal Year | $ | 427,095 |

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 (year of plan adoption) was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2014 | $ 427,095 | 8.94% | $ 427,095 |

*Funding Status and Funding Progress*
As of the valuation date, June 30, 2014, the funded status of the OPEB Plan was as follows:

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 6/30/2014 | $ - | $ 7,023,381 | $ 7,023,381 | 0.00% | $ 6,421,938 | 109.4% |

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employers and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information of the first actuarial valuation follows:

| | |
|---|---|
| Valuation date | 6/30/2014 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level Percentage of Pay, open |
| Remaining amortization period | 30 years |
| ARC Adjustment Factor | 24.5172 |
| Asset valuation method | Market Value of Assets |
| Actuarial assumptions: | |
| Investment Rate of Return* | 4.50% |
| Pre-Medicare trend rate | 7.00% - 5.00% |
| Post-Medicare trend rate | 6.00% - 5.00% |
| Year of Ultimate trend rate | 2018 |
| *Includes inflation at | 3.00% |

## NOTE 14: NONMONETARY TRANSACTIONS

During the years ended June 30, 2014 and 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 2014 | In-Kind Contribution 2013 |
|---|---|---|---|
| Armstrong Atlantic State University | WSVH-FM | $ 25,807 | $ 24,640 |
| Georgia Highlands College | WGPB-FM | - | 17,463 |
| Georgia Regents University | WACG-FM | 126,552 | 27,967 |
| Mercer University | WMUM-FM | 58,320 | 62,555 |
| Piedmont College | WPPR-FM | 5,304 | 4,347 |
| University of Georgia | WUGA-FM | 766,410 | 786,687 |
| Total In-Kind Contributions | | $ 982,393 | $ 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, 2014.

## NOTE 16: SUBSEQUENT EVENTS

***General Obligation Bonds and Capital Projects***

As discussed in Note 6, the Commission entered into an Intergovernmental Agreement with the Board of Regents, which allows the Commission to use the proceeds of general obligation bonds sold in the Board of Regents' name. The Commission accounts for the use of these proceeds in a capital projects fund. Bond projects planned for fiscal year 2015 are:

| | |
|---|---|
| Replace antenna at WACG (5 year taxable bonds) | $290,000 |
| Equipment and communications system upgrades (5 year taxable bonds) | $1,070,000 |

General obligation bonds for these projects were sold on July 10, 2014. The Commission recently submitted a request to the Governor's Office of Planning and Budget for additional capital project funding as part of the fiscal year 2016 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 20 years.

# REQUIRED SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 6/30/2014* | $ - | $ 7,023,381 | $ 7,023,381 | 0.00% | $ 6,421,938 | 109.4% |

*GPTC began administering their own retiree health insurance plan during fiscal year 2014.

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# SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
JUNE 30, 2014

SCHEDULE " 2 "

| | Original Budget | Final Budget | Actual Amounts (Budgetary Basis) | Variance- Favorable (Unfavorable) |
|---|---|---|---|---|
| **Funds Available** | | | | |
| Revenues | | | | |
| Other Revenues Retained | $ 31,016,385 | $ 30,536,385 | $ 31,438,527 | $ 902,142 |
| **Expenditures** | | | | |
| Culture And Education | $ 31,016,385 | $ 30,536,385 | $ 29,794,311 | $ 742,074 |
| Excess of Funds Available over Expenditures | | | $ 1,644,216 | $ 1,644,216 |

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" | $ 31,438,527 |
| 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. | (7,170) |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D") | $ 31,431,357 |
| **Uses/outflows for resources** | |
| Actual amounts (budgetary basis) "expenditures" | $ 29,794,311 |
| 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. | (111,032) |
| For budget purposes, encumbrances are reported as expenditures in the year purchase orders are issued but are expensed when invoiced for financial reporting purposes. | (116,502) |
| For budget purposes, expenditures in the Foundation are non-budgetary. | 400,220 |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D") | $ 29,966,997 |

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# SECTION II

# INTERNAL CONTROL AND COMPLIANCE REPORT

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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) 656-2174

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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 States 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, each major fund, and the aggregate remaining fund information of Georgia Public Telecommunications Commission, a component unit of the State of Georgia, as of and for the year ended June 30, 2014, 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 November 14, 2014.

**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 a 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. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Georgia Public Telecommunications Commission's financial statements are free from 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*.

**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

November 14, 2014

# <u>SECTION III</u>

## <u>SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS</u>

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**FS-977-13-01** **Inaccurate Annual Leave Balances**

| | |
|---|---|
| **Control Category:** | Accounting Controls (Overall)<br>Expenses/Expenditures and Liabilities<br>Financial Reporting and Disclosure |
| **Internal Control Impact:** | Significant Deficiency |
| **Status:** | Partially Resolved |

GPTC met with the software vendor to discuss corrective actions for the Attendance on Demand system. The vendor was unable to address all of our needs but was able to work with GPTC to provide new reporting features. GPTC continues to work around and reconcile with the AOD limitations that the vendor has been unable to address. We plan to use the AOD system with the work arounds we have in place until a final decision is made regarding the best software option for GPTC.