

**Fiscal  
Year  
2016**

# **Georgia Public Telecommunications Commission**

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

## **Audit Report**

**For the Fiscal Year  
Ended June 30, 2016**

(with summarized comparative information for the fiscal year ended June 30, 2015)

**Department of  
Audits and Accounts**

**Greg S. Griffin  
State Auditor**



**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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  
(404) 656-2174

### Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Georgia Public Telecommunications Commission (Commission) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2016, 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.

### ***Emphasis of Matter***

As described in Note 3, in 2016, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 10, information on other postemployment benefits on page 51, and the Schedules of Proportionate Share of the Net Pension Liability and Schedules of Contributions to Retirement Systems on pages 52 to 55 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 Commission's basic financial statements. The Schedule of Revenues and Expenditures-Budget and Actual-General Fund (Schedule 7) on page 59 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 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 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 October 28, 2016 on our consideration of the 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 the Commission's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Greg S. Griffin", with a stylized flourish at the end.

Greg S. Griffin  
State Auditor

October 28, 2016  
GSG: ps



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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The following is a discussion and analysis of the financial performance of the Georgia Public Telecommunications Commission (Commission), which does business as Georgia Public Broadcasting (GPB). It provides an overview of the activities for the fiscal year ended June 30, 2016 and compares them to fiscal year ended June 30, 2015 and June 30, 2014. 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 Commission's financial statements that follow this section.

**HIGHLIGHTS**

**Net Position**

As of the close of fiscal year 2016, the Commission's combined ending net position totaled (\$123,610). Of this total, \$4,028,223 is invested in capital assets and (\$4,151,833) is unrestricted.

**Long-term Liabilities**

GPB's total long-term debt liabilities consist of \$1,011,047 in compensated absences, \$11,496,383 in GPB's proportionate share of net pension liability and \$1,595,751 in other post-employment benefit obligations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission'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 the Commission's finances, in a manner similar to private-sector business reports.

The *Statement of Net Position* presents information on the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position as of June 30, 2016. Assets and liabilities are reported as current and noncurrent and the total of assets plus deferred outflows of resources less liabilities and deferred inflows or resources is reported as *Net Position*. Over time, increases or decreases in net position should serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *Statement of Activities* presents information showing how the Commission'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).

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

The government-wide financial statements only include the operations of the Commission. The Commission is considered a component unit of the State of Georgia for financial reporting purposes because of the significance of the Commission'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. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All Commission 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*.

The Commission 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 51 of this report, consists of a schedule of the Commission's funding progress for other postemployment benefits, schedules of proportionate share of the pension liability for the Employees Retirement System (ERS) and the Teachers Retirement System of Georgia (TRS), schedules of contributions of ERS and TRS and notes to the required supplementary information for both pension plans. Other supplementary information that

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

is not required begins on page 59 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**

	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Assets			
Capital Assets, Net of Depreciation	\$ 4,028,223	\$ 4,714,866	\$ 4,683,458
Other Assets	<u>8,960,265</u>	<u>10,841,770</u>	<u>10,796,538</u>
Total Assets	<u>12,988,488</u>	<u>15,556,636</u>	<u>15,479,996</u>
Deferred Outflows			
Related to Defined Benefit Pension Plans	<u>2,450,878</u>	<u>1,562,655</u>	<u>-</u>
Liabilities			
Other Liabilities	526,031	344,805	1,033,159
Long-Term Liabilities			
Current	279,488	329,109	292,681
Noncurrent	<u>13,823,693</u>	<u>11,320,372</u>	<u>952,026</u>
Total Liabilities	<u>14,629,212</u>	<u>11,994,286</u>	<u>2,277,866</u>
Deferred Inflows			
Related to Defined Benefit Pension Plans	<u>933,765</u>	<u>2,409,560</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	4,028,223	4,714,866	4,683,458
Unrestricted	<u>(4,151,833)</u>	<u>(1,999,421)</u>	<u>8,518,672</u>
Total Net Position	<u>\$ (123,610)</u>	<u>\$ 2,715,445</u>	<u>\$ 13,202,130</u>

The Commission's total net position decreased by \$2,839,055 from the prior year which is largely attributed to a decrease in revenue for GPTC's Capital Project Fund and an increase in expenditures for GPTC's General and Special Revenue Fund.

Prior year changes to net position are attributed to the change in reporting requirements that are a result of GASB (Governmental Accounting Standards Board) Statement 68. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The FY 2014 statements above do not reflect the net pension liability as GASB Statement 68 was effective for FY 2015 statements forward. In FY 2015, the beginning net position was restated and decreased by \$11,357,307 to reflect these changes and then the current year liability was reported.

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2016**

The Commission's total liabilities for FY 2016 increased by \$2,634,926 and is mostly attributable to the newly reported net pension liability but this increase is offset by the net effect of Deferred Outflows and Deferred Inflows in relation to pensions.

The following is a summary of the Revenues and Transfers, Expenses and changes in Net Position for fiscal years 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues			
Program Revenues			
Charges for Services	\$ 5,935,681	\$ 7,121,828	\$ 6,282,151
Operating Grants and Contributions	11,962,319	11,061,451	9,720,962
Capital Grants and Contributions	430,100	2,211,153	3,876,390
General Revenues			
Intergovernmental - Other	14,997,510	14,690,162	14,513,070
Unrestricted Investment Earnings	160,146	293,353	908,742
Transfers and Donated Assets	<u>12,021</u>	<u>(374,686)</u>	<u>(1,170,026)</u>
Total Revenues and Transfers	33,497,777	35,003,261	34,131,289
Expenses			
Culture and Education	<u>36,336,832</u>	<u>34,132,640</u>	<u>36,918,338</u>
Increase (Decrease) in Net Position	(2,839,055)	870,621	(2,787,049)
Net Position - Beginning as Originally Reported	2,715,445	13,202,130	15,989,179
Cumulative Effect of Changes in Accounting Principle	<u>-</u>	<u>(11,357,307)</u>	<u>-</u>
Net Position - Beginning of Year, Restated	<u>2,715,445</u>	<u>1,844,823</u>	<u>15,989,179</u>
Total Net Position - Ending	\$ <u><u>(123,610)</u></u>	\$ <u><u>2,715,444</u></u>	\$ <u><u>13,202,130</u></u>

The decrease in revenues and transfers from FY 2015 to FY 2016 is attributable to decreases in capital grants for projects funded by the Georgia State Financing and Investment Commission (GSFIC). These are bond funded projects that change year to year. Other changes to revenue include a decrease in revenue for facility rentals and an increase in contributions and donations. The Statement of Revenues, Expenses and changes in Net Position reflects a decrease in net position attributable to current year activity.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

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

**General Fund**

The General Fund is the chief operating fund of the Commission 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, 2016 the General Fund had \$1,204,871 in assigned fund balance for encumbrances and (\$603,832) 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, 2016 the Special Revenue Fund has \$7,833,196 in assigned 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, 2016 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 the Commission of \$34,874,893 remained unchanged during the fiscal year. Expenditures on a budgetary basis were less than budget by \$289,726 and more than revenues by \$1,514,318.

**CAPITAL ASSETS**

The Commission's investment in capital assets as of June 30, 2016, amounts to \$66,995,342 which--with accumulated depreciation of \$62,967,119--leaves a net book value of \$4,028,223. This investment in capital assets includes land, buildings and equipment. The actual depreciation charges for the year totaled \$1,088,156. 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. There was no net transfer to the Board of Regents in fiscal year 2016.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

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

Georgia continues to experience increasingly strong economic growth that has allowed the state to meet the needs of a growing population while also making long-term investments for the state. The state is maintaining a conservative fiscal management budget strategy for the current and upcoming budget periods. The Commission, along with other state agencies, was instructed to maintain current funding levels for the FY 2018 general appropriations budget and the FY 2017 Amended budget.

The current state appropriation is approximately 44% of GPB's annual budget. To meet expenditures, GPB must raise approximately \$18 million each year. Our revenue generation from outside sources is critically important as state appropriations remain relatively 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 the Commission's finances for those individuals interested 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 14<sup>th</sup> Street N.W.  
Atlanta, Georgia 30318-5360

## **BASIC FINANCIAL STATEMENTS**



GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

EXHIBIT "A"

STATEMENT OF NET POSITION

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,385,603	\$ 1,966,130
Investments	6,720,924	6,395,782
Accounts Receivable	853,738	2,479,858
Capital Assets		
Land	1,478,948	1,478,948
Buildings and Building Improvements	217,978	217,978
Other Property and Equipment	65,298,416	65,431,630
Less: Accumulated Depreciation	<u>(62,967,119)</u>	<u>(62,413,690)</u>
 Total Assets	 <u>12,988,488</u>	 <u>15,556,636</u>
 <b>DEFERRED OUTFLOWS</b>		
Related to Defined Benefit Pension Plans	<u>2,450,878</u>	<u>1,562,655</u>
 <b>LIABILITIES</b>		
Accounts Payable and Other Accruals	314,201	265,609
Unearned Revenue	211,830	79,196
Noncurrent Liabilities		
Due Within One Year		
Compensated Absences	279,488	329,109
Due in More Than One Year		
Compensated Absences	731,559	513,533
Other Post-Employment Benefit Obligations	1,595,751	1,023,480
Net Pension Liability	<u>11,496,383</u>	<u>9,783,359</u>
 Total Liabilities	 <u>14,629,212</u>	 <u>11,994,286</u>
 <b>DEFERRED INFLOWS</b>		
Related to Defined Benefit Pension Plans	<u>933,765</u>	<u>2,409,560</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	4,028,223	4,714,866
Unrestricted	<u>(4,151,833)</u>	<u>(1,999,421)</u>
 Total Net Position	 <u>\$ (123,610)</u>	 <u>\$ 2,715,445</u>

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, 2016  
(with summarized comparative information for the year ended June 30, 2015)

EXHIBIT "B"

Functions/Programs	Program Revenues 2016				Net (Expense) Revenue and Changes in Net Assets	
	Expenses 2016	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
Governmental Activities						
Culture and Education	\$ 36,336,832	\$ 5,935,681	\$ 11,962,319	\$ 430,100	\$ (18,008,732)	\$ (13,738,207)
Total Governmental Activities	\$ 36,336,832	\$ 5,935,681	\$ 11,962,319	\$ 430,100	(18,008,732)	(13,738,207)
General Revenues						
Intergovernmental - Other					14,997,510	14,690,162
Unrestricted Investment Earnings					160,146	293,353
Transfers and Donated Assets					12,021	(374,686)
Total General Revenues and Transfers					15,169,677	14,608,829
Change in Net Position					(2,839,055)	870,622
Net Position - Beginning as Originally Reported					2,715,445	13,202,130
Cumulative Effect of Changes in Accounting Principle					-	(11,357,307)
Net Position - Beginning of Year, Restated					2,715,445	1,844,823
Net Position - Ending					\$ (123,610)	\$ 2,715,445

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

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

(with summarized comparative information for the year ended June 30, 2015)

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds	
				2016	2015
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 428,545	\$ 1,112,759		\$ 1,541,304	\$ 2,668,257
Investments		6,720,924		6,720,924	6,395,782
Accounts Receivable					
Other	698,037		\$ 155,701	853,738	2,479,858
<b>Total Assets</b>	<b>\$ 1,126,582</b>	<b>\$ 7,833,683</b>	<b>\$ 155,701</b>	<b>\$ 9,115,966</b>	<b>\$ 11,543,897</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Cash Overdraft			\$ 155,701	\$ 155,701	\$ 702,127
Accounts Payable and Other Accruals	\$ 313,714	\$ 487		314,201	265,609
Unearned Revenue	211,830			211,830	79,196
<b>Total Liabilities</b>	<b>525,544</b>	<b>487</b>	<b>155,701</b>	<b>681,732</b>	<b>1,046,932</b>
<b>Fund Balances</b>					
Assigned	1,204,871	7,833,196	-	9,038,067	8,790,431
Unassigned	(603,832)			(603,832)	1,706,534
<b>Total Fund Balances</b>	<b>601,038</b>	<b>7,833,196</b>	<b>-</b>	<b>\$ 8,434,235</b>	<b>\$ 10,496,965</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,126,582</b>	<b>\$ 7,833,683</b>	<b>\$ 155,701</b>		

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

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

Land	\$ 1,478,948		
Buildings and Building Improvements	217,978		
Other Property and Equipment	65,298,416		
Accumulated Depreciation	(62,967,119)		
<b>Total Capital Assets</b>		<b>4,028,223</b>	<b>4,714,866</b>

Certain liabilities and deferred inflows/outflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds. These consist of:

Compensated Absences	\$ (1,011,047)	\$ (842,642)
Other Post-Employment Benefit Obligations	(1,595,751)	(1,023,480)
Pension Liability and Deferred Outflows and Inflows on Pension Plan	(9,979,270)	(10,630,264)
	<u>(12,586,068)</u>	<u>(12,496,386)</u>

Net Position of Governmental Activities (Exhibit "A")	\$ <u>(123,610)</u>	\$ <u>2,715,445</u>
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The notes to the financial statements are an integral part of this statement.

**GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2016**  
(with summarized comparative information for the year ended June 30, 2015)

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds	
				2016	2015
<b>REVENUES</b>					
Intergovernmental - Federal					
U.S. Department of Education				\$ -	\$ 82,076
U.S. Department of Agriculture				-	142,480
Intergovernmental - Other					
State Appropriations through the Board of Regents of the University System of Georgia	\$ 14,997,510			14,997,510	14,690,162
Corporation for Public Broadcasting - Grants	3,413,690			3,413,690	3,380,038
GSFIC			\$ 430,100	430,100	2,211,153
Contributions and Donations					
Foundation for Public Broadcasting in Georgia, Inc.		\$ 8,548,629		8,548,629	7,456,857
Interest and Other Investment Income		154,065		154,065	152,130
Production Grants	55,000			55,000	1,084,214
Rents and Royalties	2,386,146			2,386,146	3,300,153
Sales and Services	907,245	40,779		948,024	29,994
Underwriting	2,491,367			2,491,367	2,507,262
Gain (Loss) on Investments		6,081		6,081	141,223
Miscellaneous	52,792			52,792	199,082
<b>Total Revenues</b>	<b>24,303,751</b>	<b>8,749,555</b>	<b>430,100</b>	<b>33,483,406</b>	<b>35,376,825</b>
<b>EXPENDITURES</b>					
Current					
Culture and Education	34,076,495	1,017,004	452,637	35,546,136	34,643,239
Excess Of Revenues Over (Under) Expenditures	(9,772,744)	7,732,551	(22,537)	(2,062,730)	733,586
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund Transfers	7,775,000	(7,775,000)		-	-
<b>FUND BALANCES - BEGINNING</b>	<b>2,598,781</b>	<b>7,875,647</b>	<b>22,537</b>	<b>10,496,965</b>	<b>9,763,379</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 601,038</b>	<b>\$ 7,833,196</b>	<b>\$ -</b>	<b>\$ 8,434,235</b>	<b>\$ 10,496,965</b>

Net change in fund balances - total governmental funds \$ (2,062,730) \$ 733,586

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	\$ 389,492		
Depreciation Expense	(1,088,156)	(698,664)	406,094

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. This activity consists of:

Increase in Compensated Absences	(168,405)	(25,030)
Increase in Other Post-Employment Benefit Obligations	(572,271)	(596,385)
Decrease in Pension Obligations	650,994	727,043

The net effect of transactions involving capital assets is to increase net position:

Donated Assets	12,021		
Net Transfer of Equipment	-	12,021	(374,686)

Change in net position of governmental activities (Exhibit "B") \$ (2,839,055) \$ 870,622

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

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(with summarized comparative information for the year ended June 30, 2015)**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 its 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 five directors which are the Chairperson and the Vice Chairperson of the Commission's Board, the Executive Director of the Commission and two directors elected by the Foundation's Board.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)**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.



NOTES TO FINANCIAL STATEMENTS

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(with summarized comparative information for the year ended June 30, 2015)

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. Management periodically reviews the status of all of the accounts receivable balances for collectability and determined that the balances are collectible and an allowance for uncollectible accounts is considered unnecessary.

NOTES TO FINANCIAL STATEMENTS

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(with summarized comparative information for the year ended June 30, 2015)**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 acquisition 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

**Deferred Outflows of Resources**

Deferred outflows of resources reported in the Commission's Statement of Net Position represents resources related to the Employees' Retirement System of Georgia (ERS) and the Teachers Retirement System of Georgia (TRS) pension plans. It represents a consumption of net resources that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources have a positive effect on net position but they are not assets.

**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. The Commission's long-term obligations include compensated absences, pensions and other post-employment benefit obligations.

**Deferred Inflows of Resources**

Deferred inflows of resources reported in the Commission's Statement of Net Position represents resources related to the Employees' Retirement System of Georgia (ERS) and the Teachers Retirement System of Georgia (TRS) pension plans. It represents an acquisition of net resources that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources have a negative effect on net position but they are not liabilities.

**Pension Items**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and the Teachers Retirement System of Georgia (TRS) and additions to/deductions from ERS's and TRS's fiduciary net position have been

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

determined on the same basis as they are reported by ERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Fund Balance***

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 \$1,204,871 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 \$7,833,196 as of June 30, 2016. This balance consists of \$877,584 in funding for radio programs, \$3,750 in proceeds raised for a documentary and \$6,951,862 for general operational support of the Commission.

***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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

**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.

**Restatement of Prior Year Net Position** – In the Commission's audit report for the year ended June 30, 2015, the Commission made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which required the restatement of the June 30, 2014 net position. The result was a decrease in Net Position at July 1, 2014 of \$11,357,307. This change is in accordance with generally accepted accounting principles.

**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.

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 budgetary 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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)**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 2016, the following GASB statements were implemented:

***No. 72 Fair Value Measurement and Application***

The objective of Statement No. 72 is to provide guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

fair value to certain investments and disclosures related to all fair value investments. The definition of a fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine a fair value measurement, a government should consider the unit of account of the asset or liability. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted price-included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. It also requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The adoption of this Statement is disclosed in Note 4 B, Investments, for fiscal year 2016.

**No. 76      *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The adoption of this Statement did not require modification to the financial statements in fiscal year 2016.

NOTES TO FINANCIAL STATEMENTS

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(with summarized comparative information for the year ended June 30, 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, 2016 the Commission's deposits bank balance of \$727,060 was insured and collateralized as part of the State of Georgia Pledging Pool; therefore, none of this amount was exposed to custodial credit risk.

	<u>2016</u>		<u>2015</u>	
	<u>Cash &amp; Cash Equivalents</u>	<u>Investments</u>	<u>Cash &amp; Cash Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$ 1,385,603	\$ 6,720,924	\$ 1,966,130	\$ 6,395,782
Reclassifications to Investments for Risk Assessment Disclosures				
Money market mutual fund	<u>(1,004,015)</u>	<u>1,004,015</u>	<u>(1,169,010)</u>	<u>1,169,010</u>
Per Notes to the Financial Statements	<u>\$ 381,588</u>	<u>\$ 7,724,939</u>	<u>\$ 797,120</u>	<u>\$ 7,271,501</u>

**B. Investments**

The Commission's investments as of June 30, 2016 are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Investment Maturity</u>				<u>Fair Value</u>	<u>Fair Value</u>
	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More than 10 Years</u>	<u>2016</u>	<u>2015</u>
<u>Debt Securities</u>						
Corporate Bonds	\$	\$ 231,861	\$ 417,669	\$ 9,462	\$ 658,992	\$ 728,570
Money Market Mutual Fund	1,004,015				1,004,015	1,169,010
CMO&Asset Backed Securities		13,414	20,338	38,551	72,303	164,704
Municipal Bonds			121,442	51,626	173,067	213,952
U. S. Agencies			18,257		18,257	41,993
U. S. Treasury Obligations	95,269	494,928	331,899		922,095	651,564
	<u>\$ 1,099,284</u>	<u>\$ 740,203</u>	<u>\$ 909,605</u>	<u>\$ 99,639</u>	<u>\$ 2,848,729</u>	<u>\$ 2,969,793</u>
<u>Other Investments</u>						
Equity Securities - Domestic					4,876,210	4,594,999
					<u>\$ 7,724,939</u>	<u>\$ 7,564,792</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)***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 Commission, through 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.

***Credit Risk***

Credit 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 risk:

1. **Acceptable Equity Investments** should consist of the following: Domestic (U.S.) common stock-includes preferred and convertible issues; American Depositary 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.



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

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

Rated Debt Investments	Quality Ratings				Fair Value	Fair Value
	AAA	AA	A	Unrated	2016	2015
Corporate Bonds	\$ 14,328	\$ 134,518	\$ 493,872	\$ 16,274	\$ 658,992	\$ 728,570
Money Market Mutual Fund				1,004,015	1,004,015	1,169,010
CMO&Asset Backed Securities	24,977	9,455		37,872	72,303	164,704
Municipal Bonds	121,442	51,626			173,067	213,952
U.S. Agencies		18,257			18,257	41,993
	<u>\$ 160,747</u>	<u>\$ 213,856</u>	<u>\$ 493,872</u>	<u>\$ 1,058,161</u>	<u>\$ 1,926,634</u>	<u>\$ 2,318,229</u>

**Fair Value Measurement**

Investments are measured at fair value on a recurring basis and the Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into valuations are observable. In determining the level of the hierarchy, in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

- Level 1 – valuations based on unadjusted quoted prices in active markets for identical assets and have daily liquidity and daily pricing. Commission investments under Level 1 include money market funds and exchange traded funds.
- Level 2 – valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable. Commission investments under Level 2 include U.S. Treasury Securities, U.S. Agencies, Corporations, Municipals, Agency Mortgage-backed, Commercial Mortgage-backed and Asset-backed securities.
- Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Commission's investments did not hold any level 3 inputs at June 30, 2016.

The Commission did not have any Net Asset Value (NAV) investments at June 30, 2016. The following table shows the fair value leveling of the Commission's investments.

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(with summarized comparative information for the year ended June 30, 2015)

Investments by Fair Value Level	Fair Value Measures Using			Total 2016	Total 2015
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs		
	Level 1	Level 2	Level 3		
<u>Debt Securities</u>					
Corporate Bonds	\$ -	\$ 658,992	\$ -	\$ 658,992	\$ 728,570
Money Market Mutual Fund	1,004,015			1,004,015	1,169,010
CMO&Asset Backed Securities		72,303		72,303	164,704
Municipal Bonds		173,067		173,067	213,952
U. S. Agencies		18,257		18,257	41,993
U. S. Treasury Obligations		922,095		922,095	651,564
<u>Other Investments</u>					
Exchange Traded Funds	4,876,210			4,876,210	4,594,999
	<u>\$ 5,880,225</u>	<u>\$ 1,844,714</u>	<u>\$ -</u>	<u>\$ 7,724,939</u>	<u>\$ 7,564,792</u>

***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, 2016, \$7,724,939 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

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(with summarized comparative information for the year ended June 30, 2015)

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. At June 30, 2016, the Commission did not have any debt investments in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, which represented greater than 5% of total investments.

**NOTE 5: ACCOUNTS RECEIVABLE**

Receivables at June 30 consist of the following:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Production, Rents and Underwriting	\$ 698,037	\$ 1,755,194
GSFIC Bonds	155,701	724,664
Total	<u>\$ 853,738</u>	<u>\$ 2,479,858</u>

**NOTE 6: CAPITAL ASSETS**

Capital asset activity at June 30, 2016 and June 30, 2015 is as follows:

	<u>Beginning Balance 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 2016</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,478,948	\$ -	\$ -	\$ 1,478,948
Capital Assets, Being Depreciated:				
Buildings and Building				
Improvements	217,978	-	-	217,978
Other Property and Equipment	65,431,630	401,513	(534,726)	65,298,416
Total Capital Assets Being Depreciated	<u>65,649,608</u>	<u>401,513</u>	<u>(534,726)</u>	<u>65,516,394</u>
Less: Accumulated Depreciation				
For:				
Buildings and Building				
Improvements	(29,428)	(4,905)	-	(34,332)
Other Property and Equipment	(62,384,262)	(1,083,251)	534,726	(62,932,787)
Total Accumulated Depreciation	<u>(62,413,690)</u>	<u>(1,088,156)</u>	<u>534,726</u>	<u>(62,967,119)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,714,866</u>	<u>\$ (686,643)</u>	<u>\$ -</u>	<u>\$ 4,028,223</u>

NOTES TO FINANCIAL STATEMENTS

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(with summarized comparative information for the year ended June 30, 2015)

<b>Governmental Activities:</b>	<b><u>Beginning Balance 2015</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance 2015</u></b>
Capital Assets, Not Being Depreciated:				
Land	\$ <u>1,478,948</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,478,948</u>
Capital Assets, Being Depreciated:				
Buildings and Building				
Improvements	217,978	374,686	(374,686)	217,978
Other Property and Equipment	<u>64,074,852</u>	<u>1,584,972</u>	<u>(228,194)</u>	<u>65,431,630</u>
Total Capital Assets Being Depreciated	<u>64,292,830</u>	<u>1,959,658</u>	<u>(602,880)</u>	<u>65,649,608</u>
Less: Accumulated Depreciation				
For:				
Buildings and Building				
Improvements	(24,523)	(4,905)	-	(29,428)
Other Property and Equipment	<u>(61,063,797)</u>	<u>(1,548,659)</u>	<u>228,194</u>	<u>(62,384,262)</u>
Total Accumulated Depreciation	<u>(61,088,320)</u>	<u>(1,553,564)</u>	<u>228,194</u>	<u>(62,413,690)</u>
Governmental Activities Capital				
Assets, Net	\$ <u>4,683,458</u>	\$ <u>406,094</u>	\$ <u>(374,686)</u>	\$ <u>4,714,866</u>

Depreciation expense for the fiscal year ended June 30, 2016 was \$1,088,156 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. For fiscal year 2016, there were no net transfers to the Board of Regents.

**NOTE 7: LEASES RECEIVABLE**

The Commission leases certain facilities for use by others for terms varying from 1 to 11 years. The leases are accounted for as operating leases; revenues for services provided and for use of facilities are recorded when earned. Total revenue from rental of facilities and towers were \$967,525 for the year ended June 30, 2016. Minimum future revenues and rentals to be received under operating leases as of June 30, 2016, are as follows:

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(with summarized comparative information for the year ended June 30, 2015)

<u>Fiscal Year Ended June 30</u>	<u>2016</u>	<u>2015</u>
2016	-	\$ 869,200
2017	\$ 901,795	728,691
2018	858,974	704,424
2019	794,499	706,587
2020	709,097	619,421
2021	631,708	540,244
2022-2027	2,042,408	1,756,915
Total Minimum Commitments	<u>\$ 5,938,481</u>	<u>\$ 5,925,482</u>

**NOTE 8: 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 2016 was \$7,775,000. 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 9: 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 \$1,036,630 for the year ended June 30, 2016. 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.

NOTES TO FINANCIAL STATEMENTS

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<u>Fiscal Year Ended June 30</u>	<u>2016</u>	<u>2015</u>
2016	-	\$ 1,027,678
2017	\$ 1,055,596	914,168
2018	800,530	745,731
2019	98,067	33,324
2020	90,623	30,566
2021	62,530	-
2022-2026	326,049	-
Total Minimum Commitments	<u>\$ 2,433,395</u>	<u>\$ 2,751,467</u>

**NOTE 10: LONG-TERM LIABILITIES**

Long-term obligations at June 30 and changes for the fiscal year 2016 and 2015 are as follows:

<u>Fiscal Year 2016</u>	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 842,642	\$ 425,742	\$ 257,338	\$ 1,011,047	\$ 279,488
Other Post Employment Benefit Obligation	1,023,480	707,866	135,595	1,595,751	-
Net Pension Liability	9,783,359	1,713,024		11,496,383	-
	<u>\$ 11,649,481</u>	<u>\$ 2,846,632</u>	<u>\$ 392,933</u>	<u>\$ 14,103,181</u>	<u>\$ 279,488</u>

<u>Fiscal Year 2015</u>	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 817,612	\$ 417,891	\$ 392,861	\$ 842,642	\$ 329,109
Other Post Employment Benefit Obligation	427,095	705,353	108,968	1,023,480	-
Net Pension Liability (Restated)	12,439,390		2,656,031	9,783,359	-
	<u>\$ 13,684,097</u>	<u>\$ 1,123,244</u>	<u>\$ 3,157,860</u>	<u>\$ 11,649,481</u>	<u>\$ 329,109</u>

**NOTE 11: 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.

NOTES TO FINANCIAL STATEMENTS

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(with summarized comparative information for the year ended June 30, 2015)

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, 2016.

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 12: 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 13: RETIREMENT PLANS**

The Commission participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS) 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 by visiting the following websites:

Employees' Retirement System	<a href="http://www.ers.ga.gov">www.ers.ga.gov</a>
Teachers Retirement System	<a href="http://www.trsga.com">www.trsga.com</a>

The significant retirement plans that the 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 (ERS)******Plan description***

ERS is a cost-sharing multiple-employer defined benefit pension plan 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. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

***Benefits provided***

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to

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July 1, 1982 and are subject to 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 modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the 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 the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also 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.

***Contributions***

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 state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state 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 Commission's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Commission's contributions to ERS totaled \$1,734,997 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016, the Commission reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Commission's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2015. At June 30, 2015, the Employer's proportion was 0.277984%, which was an increase of 0.022537% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$1,179,964. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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(with summarized comparative information for the year ended June 30, 2015)

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience		\$ 89,983
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		812,589
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 685,543	
Employer contributions subsequent to the measurement date	<u>1,734,997</u>	
Total	\$ <u><u>2,420,540</u></u>	\$ <u><u>902,572</u></u>

Commission contributions subsequent to the measurement date of \$1,734,997 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ 53,046
2018	(181,868)
2019	(362,188)
2020	273,981
2021	0
Thereafter	0

***Actuarial assumptions***

The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.45 – 9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed Income	30.00 %	3.00 %
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
Total	<u>100.00 %</u>	

\* Rates shown are net of the 3.00% assumed rate of inflation

***Discount rate***

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate***

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

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	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 15,964,627	\$ 11,262,238	\$ 7,253,270

***Pension plan fiduciary net position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publically available at [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

***Teachers Retirement System of Georgia (TRS)******Plan description***

All qualifying employees in educational service as defined in §47-3-60 of the O.C.G.A. are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

***Benefits provided***

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

***Contributions***

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2016. Employer's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of payroll. The Commission's contributions to TRS were \$30,338 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2016, the Commission reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014.

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An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Commission's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015. At June 30 2015, the Commission's proportion was 0.001538%, which was a decrease of 0.000065% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$13,002. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		\$ 2,059
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		19,750
Changes in proportion and differences between employer contributions and proportionate share of contributions		9,384
Employer contributions subsequent to the measurement date	\$ 30,338	
Total	\$ 30,338	\$ 31,193

The Commission contributions subsequent to the measurement date of \$30,338 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (11,921)
2018	(11,921)
2019	(11,921)
2020	5,091
2021	(521)
Thereafter	0

NOTES TO FINANCIAL STATEMENTS

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**Actuarial assumptions**

The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed Income	30.00 %	3.00 %
Domestic large equities	39.70	6.50
Domestic mid equities	3.70	10.00
Domestic small equities	1.60	13.00
International developed market equities	18.90	6.50
International emerging market equities	6.10	11.00
Total	<u>100.00 %</u>	

\* Rates shown are net of the 3.00% assumed rate of inflation

**Discount rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate***

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 402,361	\$ 234,145	\$ 95,496

***Pension plan fiduciary net position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at [www.trsga.com/publications](http://www.trsga.com/publications).

***GSEPS 401(k) Defined Contribution Component of ERS***

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 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 (IRC). 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 5% of salary unless the participating member elects otherwise. The member may change such level of participation at any time. In addition, the member may make such additional contributions as he or she desires, subject to limitations imposed by federal law. The State will match 100% of the employee's initial 1% contribution and 50% of contribution percents two through five. Therefore, the State will match 3% of salary when an employee contributes at least 5% to the 401(k) plan. Employee contributions greater than 5% of salary 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:

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

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 30 days after 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. Employees who die while actively employed and eligible for 401(k) employer matching contributions become fully vested in employer contributions upon death. Distributions are made in installments or in a lump sum.

For fiscal year 2016, employee GSEPS contributions totaled \$222,374 and GPTC recognized expense of \$112,865. Non-vested contributions that were forfeited by employees may be used to pay administrative expenses of the plan and/or partially fund employer contributions. For fiscal year 2016, there were zero forfeitures to reduce pension expense.

***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, 2016 were \$3,484, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Commission participates in the following post-employment benefit plans:

Administered by the ERS System:

- State Employees' Assurance Department (SEAD)
  - For Retired and Vested Inactive (SEAD-OPEB)
  - For Active Employees (SEAD-Active)

Administered by the Georgia Public Telecommunications Commission (GPTC):

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

Separate financial reports that include the applicable financial statements and required supplementary information for the plans administered by 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 other postemployment 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 2016 were based on June 30, 2014, actuarial valuations as follows:

	<b><u>SEAD- OPEB</u></b>	<b><u>SEAD- Active</u></b>	<b><u>Total SEAD</u></b>
<b>Member Rates:</b>			
ERS Old Plan	0.45%	0.05%	0.50%
Less: Offset Paid by Employer	<u>(0.22%)</u>	<u>(0.03%)</u>	<u>(0.25%)</u>
Net ERS Old Plan	0.23%	0.02%	0.25%
ERS New Plan, JRS, and LRS	0.23%	0.02%	0.25%
<b>Employer Rates</b>	0.00%	0.00%	0.00%

In certain prior years, 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



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

requiring payment by the employers. There were no required employer contributions for the fiscal years ended June 30, 2016, 2015 and 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 position represents the excess accumulation of investment income and premiums over benefit payments and expenses and is 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 Public Telecommunications Commission Post-Employment Health Benefit Plan (GPTC OPEB Plan)***

On November 1, 2013, the Commission began administering its 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 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 employer 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 \$69.07 to \$96.17 per month for retiree-only coverage, \$145.08 to \$201.84 for retiree and spouse coverage, and \$207.27 to \$288.28 for retiree plus family coverage. However, Medicare becomes the primary coverage at the eligible age of coverage.

The following schedule reflects membership for the OPEB Plan as of June 30, 2016, 2015 and 2014.

	<u>2016</u>		<u>2015</u>		<u>2014</u>
Active Members	123		110		109
Annual Compensation	\$ 7,828,224	\$	6,826,399	\$	6,421,938
Retired Members	7		8		5

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

*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 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 ARC of \$703,554 for fiscal year 2016 was based on the actuarial valuation as of June 30, 2014.

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.

	<b>2016</b>	<b>2015</b>
Employer Annual Required Contribution (ARC)	\$ 703,554	\$ 703,554
Interest on Net OPEB Obligation	46,057	19,219
Adjustment to Annual Required Contribution	<u>(41,745)</u>	<u>(17,420)</u>
Annual OPEB Cost (Expense)	707,866	705,353
Employer Contributions Made	<u>(135,595)</u>	<u>(108,968)</u>
Increase in Net OPEB Obligation	572,271	596,385
Net OPEB Obligation - Beginning of Fiscal Year	<u>1,023,480</u>	<u>427,095</u>
Net OPEB Obligation - End of Fiscal Year	\$ <u><u>1,595,751</u></u>	\$ <u><u>1,023,480</u></u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016, 2015 and 2014 (year of plan adoption) was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 707,866	19.16%	\$ 1,595,751
2015	\$ 705,353	15.45%	\$ 1,023,480
2014	\$ 469,036	8.94%	\$ 427,095

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

*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%

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with summarized comparative information for the year ended June 30, 2015)

**NOTE 15: NONMONETARY TRANSACTIONS**

During the years ended June 30, 2016 and June 30, 2015 the Commission received in-kind contributions from the following institutions that housed local Georgia Public Broadcasting radio operations throughout the state. The in-kind contributions are administrative, communication, facilities and departmental support. These amounts are not reflected on the Commission's financial statements.

<u>Institution</u>	<u>GPB Facility</u>	<u>In-Kind Contribution 2016</u>	<u>In-Kind Contribution 2015</u>
Armstrong State University	WSVH-FM	\$ 25,201	\$ 24,324
Augusta University	WACG-FM	141,813	116,582
Mercer University	WMUM-FM	62,675	64,758
Piedmont College	WPPR-FM	2,632	3,390
University of Georgia	WUGA-FM	856,572	906,257
Total In-Kind Contributions		<u>\$ 1,088,893</u>	<u>\$ 1,115,311</u>

**NOTE 16: 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, 2016.

**NOTE 17: 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 2017 are:

Facility Repairs and Sustainment and Technology Infrastructure	\$500,000
Georgia State Capitol Cameras and Equipment	\$865,000

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2016(with summarized comparative information for the year ended June 30, 2015)

General obligation five year taxable bonds for these projects were sold on July 7, 2016. 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 2018 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 POST-EMPLOYMENT BENEFITS  
JUNE 30, 2016

SCHEDULE " 1 "

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. The next valuation report is scheduled for June 30, 2016 and will be used for fiscal year 2017 audited financial statements .



GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2016

SCHEDULE " 2 "

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.277984%	0.255447%
Employer's proportionate share of the net pension liability	\$ 11,262,238	\$ 9,580,841
Employer's covered-employee payroll	\$ 6,887,434	\$ 6,252,863
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.52%	153.22%
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%

*Note:* Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
JUNE 30, 2016

SCHEDULE " 3 "

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.001538%	0.001603%
Employer's proportionate share of the net pension liability	\$ 234,145	\$ 202,518
Employer's covered-employee payroll	\$ 162,373	\$ 163,542
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	144.20%	123.83%
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%

*Note:* Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
SCHEDULE OF CONTRIBUTIONS  
EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 1,734,997	\$ 1,395,723	\$ 1,061,780	\$ 869,671	\$ 709,042	\$ 643,416	\$ 707,702	\$ 800,639	\$ 895,283	\$ 845,617
Contributions in relation to the contractually required contribution	1,734,997	1,395,723	1,061,780	869,671	709,042	643,416	707,702	800,639	895,283	845,617
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Employer's covered-employee payroll	\$ 7,571,004	\$ 6,887,434	\$ 6,252,863	\$ 6,419,534	\$ 7,009,521	\$ 6,918,493	\$ 7,278,119	\$ 7,751,579	\$ 8,591,579	\$ 8,113,687
Contributions as a percentage of covered-employee payroll	22.92%	20.26%	16.98%	13.55%	10.12%	9.30%	9.72%	10.33%	10.42%	10.42%

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
SCHEDULE OF CONTRIBUTIONS  
TEACHERS RETIREMENT SYSTEM OF GEORGIA  
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 30,338	\$ 21,352	\$ 20,083	\$ 18,444	\$ 16,618	\$ 22,259	\$ 21,089	\$ 30,717	\$ 39,248	\$ 42,094
Contributions in relation to the contractually required contribution	30,338	21,352	20,083	18,444	16,618	22,259	21,089	30,717	39,248	42,094
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Employer's covered-employee payroll	\$ 212,600	\$ 162,373	\$ 163,542	\$ 161,652	\$ 161,652	\$ 216,522	\$ 216,522	\$ 330,999	\$ 422,939	\$ 453,597
Contributions as a percentage of covered-employee payroll	14.27%	13.15%	12.28%	11.41%	10.28%	10.28%	9.74%	9.28%	9.28%	9.28%

**EMPLOYEES' RETIREMENT SYSTEM**

**Changes of assumptions:** There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation Date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	25 years
Asset valuation period	Five-year smoothed market
Inflation rate	3.00%
Salary increases	5.45% - 9.25%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**TEACHERS RETIREMENT SYSTEM OF GEORGIA**

**Changes of assumptions:** In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**Method and assumptions used in calculations of actuarially determined contributions:** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Valuation Date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation period	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

## **SUPPLEMENTARY INFORMATION**

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance</u>
<b>Funds Available</b>				
Revenues				
Other Revenues Retained	\$ <u>34,874,893</u>	\$ <u>34,874,893</u>	\$ 33,070,849	\$ (1,804,044)
<b>Expenditures</b>				
Culture And Education	\$ <u>34,874,893</u>	\$ <u>34,874,893</u>	\$ 34,585,167	\$ 289,726
Excess of Funds Available over Expenditures			\$ <u>(1,514,318)</u>	\$ <u>(1,514,318)</u>

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"	\$ 33,070,849
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.	<u>(17,543)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	\$ <u>33,053,306</u>

**Uses/outflows for resources**

Actual amounts (budgetary basis) "expenditures"	\$ 34,585,167
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.	(196,050)
For budget purposes, encumbrances are reported as expenditures in the year purchase orders are issued but are expensed when invoiced for financial reporting purposes.	(312,622)
For budget purposes, expenditures in the Foundation are non-budgetary.	<u>1,017,004</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	\$ <u>35,093,499</u>



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## **SECTION II**

### **INTERNAL CONTROL AND COMPLIANCE REPORT**

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## DEPARTMENT OF AUDITS AND ACCOUNTS

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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 and each major fund of the Georgia Public Telecommunications Commission (Commission), a component unit of the State of Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 28, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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  
State Auditor

October 28, 2016  
GSG: ps