

**Fiscal
Year
2017**

Georgia Public Telecommunications Commission

A Component Unit of the State of Georgia

Audit Report

**For the Fiscal Year
Ended June 30, 2017**

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

**Department of
Audits and Accounts**

**Greg S. Griffin
State Auditor**



GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board 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, 2017, 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, 2017, 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 2017, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. 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 53, and the Schedules of Proportionate Share of the Net Pension Liability and Schedules of Contributions to Retirement Systems on pages 54 to 57 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 61 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 4, 2017 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,



Greg S. Griffin
State Auditor

October 4, 2017

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017 and compares them to fiscal year ended June 30, 2016 and June 30, 2015. Georgia Public Broadcasting provides educational, instructional and public broadcasting services to the citizens of the state of Georgia. This information 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 2017, the Commission's combined ending net position totaled (\$2,353,874). Of this total, \$3,648,738 is invested in capital assets and (\$6,002,612) is unrestricted.

Long-term Liabilities

GPB's total long-term debt liabilities consist of \$1,064,193 in compensated absences, \$14,678,935 in GPB's proportionate share of net pension liability and \$2,473,855 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, 2017. 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, 2017

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 53 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, 2017

is not required begins on page 61 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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Capital Assets, Net of Depreciation	\$ 3,648,738	\$ 4,028,223	\$ 4,714,866
Other Assets	<u>8,186,445</u>	<u>8,960,265</u>	<u>10,841,770</u>
Total Assets	<u>11,835,183</u>	<u>12,988,488</u>	<u>15,556,636</u>
Deferred Outflows of Resources			
Related to Defined Benefit Pension Plans	<u>4,442,361</u>	<u>2,450,878</u>	<u>1,562,655</u>
Liabilities			
Other Liabilities	372,355	526,031	344,805
Long-Term Liabilities			
Current	299,050	279,488	329,109
Noncurrent	<u>17,917,933</u>	<u>13,823,693</u>	<u>11,320,372</u>
Total Liabilities	<u>18,589,338</u>	<u>14,629,212</u>	<u>11,994,286</u>
Deferred Inflows of Resources			
Related to Defined Benefit Pension Plans	<u>42,080</u>	<u>933,765</u>	<u>2,409,560</u>
Net Position			
Investment in Capital Assets	3,648,738	4,028,223	4,714,866
Unrestricted	<u>(6,002,612)</u>	<u>(4,151,833)</u>	<u>(1,999,421)</u>
Total Net Position	<u>\$ (2,353,874)</u>	<u>\$ (123,610)</u>	<u>\$ 2,715,445</u>

The Commission's total net position decreased by \$2,230,264 from the prior year which is largely attributed to an increase in net liabilities and a decrease in total assets 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. In FY 2015, the beginning net position was restated and decreased by \$11,357,307 to reflect these changes and the current year liability was reported thereafter.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The Commission's total liabilities for FY 2017 increased by \$3,960,126 and are mostly attributable to 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 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Program Revenues			
Charges for Services	\$ 6,573,692	\$ 5,935,681	\$ 7,121,828
Operating Grants and Contributions	12,424,318	11,962,319	11,061,451
Capital Grants and Contributions	964,818	430,100	2,211,153
General Revenues			
Intergovernmental - Other	15,154,949	14,997,510	14,690,162
Unrestricted Investment Earnings	549,762	160,146	293,353
Transfers and Donated Assets	<u>(17,970)</u>	<u>12,021</u>	<u>(374,686)</u>
Total Revenues and Transfers	35,649,569	33,497,777	35,003,261
Expenses			
Culture and Education	<u>37,879,832</u>	<u>36,336,832</u>	<u>34,132,640</u>
Increase (Decrease) in Net Position	(2,230,264)	(2,839,055)	870,621
Net Position - Beginning as Originally Reported	(123,610)	2,715,445	13,202,130
Cumulative Effect of Changes in Accounting Principle	<u>-</u>	<u>-</u>	<u>(11,357,307)</u>
Net Position - Beginning of Year, Restated	<u>(123,610)</u>	<u>2,715,445</u>	<u>1,844,823</u>
Total Net Position - Ending	<u>\$ (2,353,874)</u>	<u>\$ (123,610)</u>	<u>\$ 2,715,444</u>

The increase in revenues and transfers from FY 2016 to FY 2017 is attributable to increases 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 an increase in revenue for sales and services and underwriting 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, 2017

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, 2017 the General Fund had \$699,523 in assigned fund balance for encumbrances and \$1,095,882 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, 2017 the Special Revenue Fund has \$6,023,695 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, 2017 the Capital Project Fund had (\$5,010) in fund balance as described in the Notes to the Financial Statements.

BUDGET COMPARISON ANALYSIS

The original budget for the Commission of \$36,053,588 remained unchanged during the fiscal year. Expenditures on a budgetary basis were less than budget by \$2,242,463 and less than revenues by \$844,935.

CAPITAL ASSETS

The Commission's investment in capital assets as of June 30, 2017, amounts to \$67,260,934 which--with accumulated depreciation of \$63,612,196--leaves a net book value of \$3,648,738. This investment in capital assets includes land, buildings and equipment. The actual depreciation charges for the year totaled \$997,810. 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. The net transfer to the Board of Regents in fiscal year 2017 was \$17,970.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Georgia continues to maintain solid economic growth year over year that has allowed the state to regrow a depleted revenue shortfall reserve, restore funding for education, and meet the needs of a growing population while also making long-term investments in infrastructure and industry 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 2019 general appropriations budget and the FY 2018 Amended budget.

The current state appropriation is approximately 45% 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 14th Street N.W.
Atlanta, Georgia 30318-5360

BASIC FINANCIAL STATEMENTS

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

EXHIBIT "A"

STATEMENT OF NET POSITION

JUNE 30, 2017

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

	<u>Governmental Activities</u>	
	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 1,795,794	\$ 1,385,603
Investments	4,832,258	6,720,924
Accounts Receivable	1,558,393	853,738
Capital Assets		
Land	1,478,948	1,478,948
Buildings and Building Improvements	217,978	217,978
Other Property and Equipment	65,564,008	65,298,416
Less: Accumulated Depreciation	<u>(63,612,196)</u>	<u>(62,967,119)</u>
 Total Assets	 <u>11,835,183</u>	 <u>12,988,488</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plans	<u>4,442,361</u>	<u>2,450,878</u>
 LIABILITIES		
Accounts Payable and Other Accruals	357,449	314,201
Unearned Revenue	14,906	211,830
Noncurrent Liabilities		
Due Within One Year		
Compensated Absences	299,050	279,488
Due in More Than One Year		
Compensated Absences	765,143	731,559
Other Post-Employment Benefit Obligations	2,473,855	1,595,751
Net Pension Liability	<u>14,678,935</u>	<u>11,496,383</u>
 Total Liabilities	 <u>18,589,338</u>	 <u>14,629,212</u>
 DEFERRED INFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plans	<u>42,080</u>	<u>933,765</u>
 NET POSITION		
Investment in Capital Assets	3,648,738	4,028,223
Unrestricted	<u>(6,002,612)</u>	<u>(4,151,833)</u>
 Total Net Position	 <u>\$ (2,353,874)</u>	 <u>\$ (123,610)</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, 2017
(with summarized comparative information for the year ended June 30, 2016)

EXHIBIT "B"

Functions/Programs	Program Revenues 2017			Net (Expense) Revenue and Changes in Net Assets	
	Expenses 2017	Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2017	2016
Governmental Activities Culture and Education	\$ 37,879,832	\$ 6,573,692	\$ 12,424,318	\$ 964,818	\$ (18,008,732)
Total Governmental Activities	\$ 37,879,832	\$ 6,573,692	\$ 12,424,318	\$ 964,818	\$ (18,008,732)
General Revenues					
Intergovernmental - Other				15,154,949	14,997,510
Unrestricted Investment Earnings				549,762	160,146
Transfers and Donated Assets				(17,970)	12,021
Total General Revenues and Transfers				15,686,741	15,169,677
Change in Net Position				(2,230,264)	(2,839,055)
Net Position - Beginning				(123,610)	2,715,445
Net Position - Ending				\$ (2,353,874)	\$ (123,610)

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

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

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

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds 2017	2016
ASSETS					
Cash and Cash Equivalents	\$ 811,880	\$ 1,191,503		\$ 2,003,383	\$ 1,541,304
Investments		4,832,258		4,832,258	6,720,924
Accounts Receivable					
Other	1,355,814		202,579	1,558,393	853,738
Total Assets	<u>\$ 2,167,694</u>	<u>\$ 6,023,761</u>	<u>\$ 202,579</u>	<u>\$ 8,394,034</u>	<u>\$ 9,115,966</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash Overdraft			\$ 207,589	\$ 207,589	\$ 155,701
Accounts Payable and Other Accruals	\$ 357,383	\$ 66		357,449	314,201
Unearned Revenue	14,906			14,906	211,830
Total Liabilities	<u>372,289</u>	<u>66</u>	<u>207,589</u>	<u>579,944</u>	<u>681,732</u>
Fund Balances					
Assigned	699,523	6,023,695	(5,010)	6,718,208	9,038,067
Unassigned	1,095,882			1,095,882	(603,832)
Total Fund Balances	<u>1,795,405</u>	<u>6,023,695</u>	<u>(5,010)</u>	<u>7,814,090</u>	<u>8,434,235</u>
Total Liabilities and Fund Balances	<u>\$ 2,167,694</u>	<u>\$ 6,023,761</u>	<u>\$ 202,579</u>		

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	65,564,008	
Accumulated Depreciation	<u>(63,612,196)</u>	
Total Capital Assets		3,648,738 4,028,223

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	(1,064,193)	(1,011,047)
Other Post-Employment Benefit Obligations	(2,473,855)	(1,595,751)
Pension Liability and Deferred Outflows and Inflows on Pension Plan	<u>(10,278,654)</u>	<u>(9,979,270)</u>
	(13,816,702)	(12,586,068)

Net Position of Governmental Activities (Exhibit "A")	<u>\$ (2,353,874)</u>	<u>\$ (123,610)</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, 2017
(with summarized comparative information for the year ended June 30, 2016)

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds	
				2017	2016
REVENUES					
Intergovernmental - Other					
State Appropriations through the Board of Regents of the University System of Georgia	\$ 15,154,949			\$ 15,154,949	\$ 14,997,510
Corporation for Public Broadcasting - Grants	3,589,039			3,589,039	3,413,690
GSFIC			\$ 964,818	964,818	430,100
Contributions and Donations					
Foundation for Public Broadcasting in Georgia, Inc.		\$ 8,835,279		8,835,279	8,548,629
Interest and Other Investment Income		113,678		113,678	154,065
Production Grants	-			-	55,000
Rents and Royalties	2,109,840			2,109,840	2,386,146
Sales and Services	1,694,243			1,694,243	948,024
Underwriting	2,678,699			2,678,699	2,491,367
Gain (Loss) on Investments		436,084		436,084	6,081
Miscellaneous	90,910			90,910	52,792
	<u>25,317,680</u>	<u>9,385,041</u>	<u>964,818</u>	<u>35,667,539</u>	<u>33,483,406</u>
Total Revenues					
EXPENDITURES					
Current					
Culture and Education	34,223,313	1,094,542	969,828	36,287,683	35,546,136
	<u>(8,905,633)</u>	<u>8,290,499</u>	<u>(5,010)</u>	<u>(620,144)</u>	<u>(2,062,730)</u>
Excess Of Revenues Over (Under) Expenditures					
OTHER FINANCING SOURCES (USES)					
Interfund Transfers	10,100,000	(10,100,000)		-	-
	<u>601,038</u>	<u>7,833,196</u>	<u>-</u>	<u>8,434,235</u>	<u>10,496,965</u>
FUND BALANCES - BEGINNING					
	<u>\$ 1,795,405</u>	<u>\$ 6,023,695</u>	<u>\$ (5,010)</u>	<u>\$ 7,814,090</u>	<u>\$ 8,434,235</u>
FUND BALANCES - ENDING					
Net change in fund balances - total governmental funds				\$ (620,145)	\$ (2,062,730)
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			\$ 636,295		
Depreciation Expense			<u>(997,810)</u>	(361,515)	(698,664)
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				(53,146)	(168,405)
Increase in Other Post-Employment Benefit Obligations				(878,104)	(572,271)
Increase in Pension Obligations				(299,384)	650,994
The net effect of transactions involving capital assets is to increase net position:					
Donated Assets					12,021
Net Transfer of Equipment				<u>(17,970)</u>	
Change in net position of governmental activities (Exhibit "B")				<u>\$ (2,230,264)</u>	<u>\$ (2,839,055)</u>

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

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NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)**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. The component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity pursuant to the provisions defined in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)**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 STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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

JUNE 30, 2017

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

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 STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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 \$699,523 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 \$6,023,695 as of June 30, 2017. This balance consists of \$812,039 in funding for radio programs and \$5,211,656 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.

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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

resources, but can be removed or modified.

E. REVENUES AND EXPENDITURES/EXPENSES***Program Revenues***

Amounts reported as program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) operating and capital grants and contributions that are restricted to meeting the operational requirements of a particular function. Annual appropriations received from the State of Georgia, through the Board of Regents of the University System of Georgia, and other items not meeting the definition of program revenues are instead reported as general revenue.

Compensated Absences

Employees earn annual leave ranging from ten to fourteen hours each month depending upon the employee's length of continuous State service with a maximum accumulation of forty-five days. Employees are paid for a maximum of 360 hours of unused accumulated annual leave upon retirement or termination of employment.

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.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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 safe keepers charge to move securities from one account holder to another.

NOTE 3: ACCOUNTING CHANGES - ADOPTION OF NEW ACCOUNTING PRINCIPLES

During fiscal year 2017, the following GASB statements were implemented:

No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of Statement No. 74 is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans - defined benefit and defined contribution - administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

The adoption of this Statement did not require modification to the financial statements in fiscal year 2017. The Commission continued to report other post-employment benefits as reported in fiscal year 2016 under GASB 45.

No. 77 Tax Abatement Disclosures

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

The Commission did not enter into any tax abatement agreements in fiscal year 2017 and the adoption of this Statement had no effect on the financial statements.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)**No. 78 *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans***

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The adoption of this Statement did not require modification to the financial statements in fiscal year 2017.

No. 80 *Blending Requirements for Certain Component Units*

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

The adoption of this statement is disclosed in Note 1, Reporting Entity - Blended Component Unit, for fiscal year 2017. Changes to Note 1 were minor compared to previous fiscal year's disclosures.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)**No. 82 Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73**

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The adoption of this Statement did not require modification to the financial statements in fiscal year 2017.

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, 2017 the Commission's deposits bank balance of \$1,279,698 was insured and collateralized as part of the State of Georgia Pledging Pool; therefore, none of this amount was exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

	<u>2017</u>		<u>2016</u>	
	<u>Cash & Cash Equivalents</u>	<u>Investments</u>	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$ 1,795,794	\$ 4,832,258	\$ 1,385,603	\$ 6,720,924
Reclassifications to Investments for Risk Assessment Disclosures				
Money market mutual fund	(942,459)	942,459	(1,004,015)	1,004,015
Per Notes to the Financial Statements	<u>\$ 853,335</u>	<u>\$ 5,774,717</u>	<u>\$ 381,588</u>	<u>\$ 7,724,939</u>

B. Investments

The Commission's investments as of June 30, 2017 are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Investment Maturity</u>				<u>Fair Value 2017</u>	<u>Fair Value 2016</u>
	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More than 10 Years</u>		
<u>Debt Securities</u>						
Corporate Bonds	\$ 36,294	\$ 206,947	\$ 502,812	\$ 33,112	\$ 779,165	\$ 658,992
Money Market Mutual Fund	942,459				942,459	1,004,015
CMO&Asset Backed Securities		4,455	72,727	57,424	134,606	72,303
Municipal Bonds		24,915	106,444	98,590	229,949	173,067
U. S. Agencies		84,945	47,371	54,768	187,084	18,257
U. S. Treasury Obligations	145,148	300,873	82,027	74,446	602,494	922,095
	<u>\$ 1,123,901</u>	<u>\$ 622,135</u>	<u>\$ 811,381</u>	<u>\$ 318,340</u>	<u>\$ 2,875,757</u>	<u>\$ 2,848,729</u>
<u>Other Investments</u>						
Exchange Traded Funds					2,898,960	4,876,210
					<u>\$ 5,774,717</u>	<u>\$ 7,724,939</u>

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:

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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.

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	2017	2016
Corporate Bonds	\$ 19,162	\$ 143,590	\$ 579,062	\$ 37,351	\$ 779,165	\$ 658,992
Money Market Mutual Fund				942,459	942,459	1,004,015
CMO&Asset Backed Securities	4,455	6,971		123,180	134,606	72,303
Municipal Bonds	130,963	74,071		24,915	229,949	173,067
U.S. Agencies		147,106		39,978	187,084	18,257
	<u>\$ 154,580</u>	<u>\$ 371,738</u>	<u>\$ 579,062</u>	<u>\$ 1,167,883</u>	<u>\$ 2,273,263</u>	<u>\$ 1,926,634</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.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

- 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, 2017.

The Commission did not have any Net Asset Value (NAV) investments at June 30, 2017. The following table shows the fair value leveling of the Commission's investments.

Investments by Fair Value Level	Fair Value Measures Using			Total 2017	Total 2016
	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3		
<u>Debt Securities</u>					
Corporate Bonds	\$ -	\$ 779,165	\$ -	\$ 779,165	\$ 658,992
Money Market Mutual Fund	942,459			942,459	1,004,015
CMO&Asset Backed Securities		134,606		134,606	72,303
Municipal Bonds		229,949		229,949	173,067
U. S. Agencies		187,084		187,084	18,257
U. S. Treasury Obligations		602,494		602,494	922,095
<u>Other Investments</u>					
Exchange Traded Funds	2,898,960			2,898,960	4,876,210
	<u>\$ 3,841,419</u>	<u>\$ 1,933,298</u>	<u>\$ -</u>	<u>\$ 5,774,717</u>	<u>\$ 7,724,939</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, 2017, \$5,774,717 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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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 32% of the Commission's total funds available for investment has additional restrictions to limit the relative sector exposure of the investments and additional restrictions on the type of investments. The restrictions include: No obligations of BB&T Corporation which own the investment advisor's company; No Private Placements; No Derivatives; No Non-U.S. Dollar Denominated Issues. The restrictions to limit the relative sector exposure include: Exposure to corporate debt will be maintained at a minimum of 50% and restricted to a maximum of 150% of the weighting of corporate debt of the Barclays Intermediate Government/Corporate Index; Exposure to mortgage-backed securities will be restricted to a maximum of 30% of the weighting of the portfolio; Asset-backed securities will be restricted to a maximum of 25% of the portfolio; Commercial Mortgage Backed Securities will be restricted to a maximum of 25% of the portfolio; Yankee debt will be restricted to a maximum of 10% of the fund and Total exposure to municipal obligations shall not exceed 15% of the overall account. At June 30, 2017, 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:

		Governmental Activities	
		2017	2016
Production, Sales, Rents and Underwriting	\$	1,355,814	\$ 698,037
GSFIC Bonds		202,579	155,701
Total	\$	<u>1,558,393</u>	<u>\$ 853,738</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity at June 30, 2017 and June 30, 2016 is as follows:

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

	<u>Beginning Balance 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 2017</u>
Governmental Activities:				
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	65,298,416	636,295	(370,703)	65,564,008
Total Capital Assets Being Depreciated	65,516,394	636,295	(370,703)	65,781,986
Less: Accumulated Depreciation				
For:				
Buildings and Building Improvements	(34,332)	(4,904)	-	(39,236)
Other Property and Equipment	(62,932,787)	(992,906)	352,733	(63,572,960)
Total Accumulated Depreciation	(62,967,119)	(997,810)	352,733	(63,612,196)
Governmental Activities Capital Assets, Net	\$ 4,028,223	\$ (361,515)	\$ (17,970)	\$ 3,648,738

	<u>Beginning Balance 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 2016</u>
Governmental Activities:				
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	65,649,608	401,513	(534,726)	65,516,394
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	(62,413,690)	(1,088,156)	534,726	(62,967,119)
Governmental Activities Capital Assets, Net	\$ 4,714,866	\$ (686,643)	\$ -	\$ 4,028,223

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Depreciation expense for the fiscal year ended June 30, 2017 was \$997,810 and the total amount was charged to the Culture and Education function of the Commission.

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

Under the terms of the Agreement, the Commission continues to use and maintain its headquarters site and the WJSP tower site. The Commission is also permitted to improve these sites. Title to any improvements at these sites is transferred to the Board of Regents as the improvements are completed. The net transfer to the Board of Regents of \$17,970 is included as a decrease to the Commissions assets in fiscal year 2017.

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 \$992,947 for the year ended June 30, 2017. Minimum future revenues and rentals to be received under operating leases as of June 30, 2017, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>2017</u>	<u>2016</u>
2017	-	\$ 901,795
2018	\$ 1,106,574	858,974
2019	1,054,651	794,499
2020	948,204	709,097
2021	875,533	631,708
2022	892,661	643,803
2023-2027	<u>1,911,087</u>	<u>1,398,605</u>
Total Minimum Commitments	<u>\$ 6,788,710</u>	<u>\$ 5,938,481</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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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 2017 was \$10,100,000. 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 \$1,050,038 for the year ended June 30, 2017. 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.

<u>Fiscal Year Ended June 30</u>	<u>2017</u>	<u>2016</u>
2017	-	\$ 1,055,596
2018	\$ 876,514	800,530
2019	98,068	98,067
2020	90,623	90,623
2021	62,530	62,530
2022	266,557	63,714
2023-2027	59,492	262,335
Total Minimum Commitments	<u>\$ 1,453,784</u>	<u>\$ 2,433,395</u>

NOTE 10: LONG-TERM LIABILITIES

Long-term obligations at June 30 and changes for the fiscal year 2017 and 2016 are as follows:

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Fiscal Year 2017</u>	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 1,011,047	\$ 439,209	\$ 386,063	\$ 1,064,193	\$ 299,050
Other Post Employment Benefit Obligation	1,595,751	1,057,928	179,824	2,473,855	-
Net Pension Liability	11,496,383	3,182,552		14,678,935	-
	<u>\$ 14,103,181</u>	<u>\$ 4,679,689</u>	<u>\$ 565,887</u>	<u>\$ 18,216,983</u>	<u>\$ 299,050</u>

<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>

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 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, 2017.

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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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	www.ers.ga.gov
Teachers Retirement System	www.trsga.com

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.

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 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.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)**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, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Commission's contributions to ERS totaled \$1,924,905 for the year ended June 30, 2017. 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, 2017, the Commission reported a liability for its proportionate share of the net pension liability of \$14,279,104. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016. At June 30, 2016, the Employer's proportion was 0.301857%, which was an increase of 0.023873% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of \$2,194,279. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 32,978
Changes of assumptions	120,948	
Net difference between projected and actual earnings on pension plan investments	1,451,784	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	800,801	
Employer contributions subsequent to the measurement date	1,924,905	
Total	\$ 4,298,438	\$ 32,978

Commission contributions subsequent to the measurement date of \$1,924,905 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

the year ended June 30, 2018. 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:

2018	\$	816,611
2019		256,001
2020		782,724
2021		485,219
2022		0
Thereafter		0

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirement and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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:

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed Income	30.00 %	(0.50) %
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00 %	

* Rates shown are net of the 2.75% 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 Commission'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:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Employer's proportionate share of the net pension liability	\$ 19,350,833	\$ 14,279,104	\$ 9,956,983

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.

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-

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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.

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 2017. Employer's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of payroll. The Commission's contributions to TRS were \$23,258 for the year ended June 30, 2017.

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

At June 30, 2017, the Commission reported a liability for its proportionate share of the net pension liability of \$399,831. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016. At June 30 2016, the Commission's proportion was 0.001938%, which was an increase of 0.000400% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of \$53,268. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	5,956	\$ 1,977
Changes of assumptions		10,363	
Net difference between projected and actual earnings on pension plan investments		50,580	
Changes in proportion and differences between Employer contributions and proportionate share of contributions		53,766	7,125
Employer contributions subsequent to the measurement date		<u>23,258</u>	
Total	\$	<u><u>143,923</u></u>	<u><u>9,102</u></u>

The Commission contributions subsequent to the measurement date of \$23,258 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, 2018. 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:

2018	\$ 18,232
2019	18,232
2020	39,648
2021	32,117
2022	3,334
Thereafter	0

Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the PR-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rate of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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:

Asset Class	Target Allocation	Long-term expected real rate of return*
Fixed Income	30.00 %	(0.50) %
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	100.00 %	

* Rates shown are net of the 2.75% 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 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:

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 622,342	\$ 399,831	\$ 216,630

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.

GSEPS 401(k) Defined Contribution Component of ERS

In addition to the ERS defined benefit pension described above, Georgia State Employees' Pension and Savings Plan (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:

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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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 2017, employee GSEPS contributions totaled \$286,465 and GPTC recognized expense of \$141,026. 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 2017, 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, 2017 were \$95,029, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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 is a cost-sharing multiple-employer defined benefit other postemployment plan that was 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. 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 2017 were based on June 30, 2014, actuarial valuations as follows:

	SEAD- OPEB
Member Rates:	
ERS Old Plan	0.45%
Less: Offset Paid by Employer	<u>(0.22%)</u>
Net ERS Old Plan	0.23%
ERS New Plan, JRS, and LRD	0.23%
 Employer Rates:	 0.00%

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-OPEB the amount of insurance for a retiree with creditable service prior to April 1, 1964, is the full amount of insurance 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 at age 60 or at termination, if earlier. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the retiree.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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 \$76.68 to \$138.75 per month for retiree-only coverage, \$161.06 to \$291.03 for retiree and spouse coverage, and \$230.10 to \$415.61 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, 2017, 2016 and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Active Members	118	123	110
Annual Compensation	\$ 7,639,554	\$ 7,828,224	\$ 6,826,399
Retired Members	10	7	8

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 \$1,051,206 for fiscal year 2017 was based on the actuarial valuation as of June 30, 2016.

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

		2017	2016
Employer Annual Required Contribution (ARC)	\$	1,051,206	\$ 703,554
Interest on Net OPEB Obligation		71,809	46,057
Adjustment to Annual Required Contribution		(65,087)	(41,745)
Annual OPEB Cost (Expense)		1,057,928	707,866
Employer Contributions Made		(179,824)	(135,595)
Increase in Net OPEB Obligation		878,104	572,271
Net OPEB Obligation - Beginning of Fiscal Year		1,595,751	1,023,480
Net OPEB Obligation - End of Fiscal Year	\$	2,473,855	\$ 1,595,751

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017, 2016 and 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 1,057,928	17.00%	\$ 2,473,855
2016	\$ 707,866	19.16%	\$ 1,595,751
2015	\$ 705,353	15.45%	\$ 1,023,480

Funding Status and Funding Progress

As of the valuation date, June 30, 2016 and 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)
6/30/2016	\$ -	\$ 10,271,554	\$ 10,271,554	0.00%	\$ 7,828,224	131.2%
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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)

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 actuarial valuation follows:

Valuation date	6/30/2016
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of Pay, open
Remaining amortization period	30 years
ARC Adjustment Factor	25.3334
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.50%
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of Ultimate trend rate	2022
*Includes inflation at	3.25%

NOTE 15: NONMONETARY TRANSACTIONS

During the years ended June 30, 2017 and June 30, 2016 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 2017</u>	<u>In-Kind Contribution 2016</u>
Armstrong State University	WSVH-FM	\$ 58,739	\$ 25,201
Augusta University	WACG-FM	137,493	141,813
Mercer University	WMUM-FM	61,548	62,675
Piedmont College	WPPR-FM	1,208	2,632
University of Georgia	WUGA-FM	922,842	856,572
Total In-Kind Contributions		<u>\$ 1,181,830</u>	<u>\$ 1,088,893</u>

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2017(with summarized comparative information for the year ended June 30, 2016)**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, 2017.

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 2018 are:

Infrastructure and Equipment Replacement and Facility Repairs and Sustainment	\$1,500,000
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General obligation five year taxable bonds for these projects were sold on July 10, 2017. 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.

Spectrum Auction and Repacking

In order to fulfill the increasing demand for wireless broadband access, the Federal Communications Commission (FCC) proposed the idea of buying a portion of broadcast spectrum used by television stations and selling it to wireless broadband companies. This was proposed by the FCC under a National Broadband Plan that was authorized by Congress in 2012. There are three interrelated components to the process:

- Reverse auction – a voluntary process where broadcasters decide whether to sell their spectrum rights to the FCC bidding downward against each other to give up their spectrum
- Forward auction – at the same time as the reverse auction, wireless broadband providers bid upward to buy that spectrum
- Repacking – a mandatory nationwide process where all broadcasters that stay on the air may be required to move to new channels

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

The FCC began the process of inviting stations to enter into the reverse auction at the end of 2015 and the actual auction started on March 29, 2016. The Commission decided to enter two of its stations into the reverse auction, WJSP TV (Columbus) and WNGH TV (Rome). These stations were on the UHF band and we proposed to sell some of our TV spectrum by moving these two stations to a different frequency, a low VHF band. The change will not impact any viewers or listeners around the state. There were several rounds in each stage of the reverse auction lasting several weeks at a time.

Bidding in the auction closed on March 30, 2017, repurposing 84 megahertz of spectrum nationwide. The auction yielded \$19.8 billion in revenue for the federal government, including \$10.05 billion for winning broadcast bidders and more than \$7 billion to be deposited into the U.S. Treasury for deficit reduction. The Commission's two stations were winning stations with compensation for WJSP TV at \$7,267,147 and WNGH TV at \$11,949,966, a total of \$19,217,113. Some of these proceeds will need to be expended on repacking these TV stations.

On April 13, 2017 the FCC released a public notice formally closing the auction and beginning the repacking component. This is a 39-month period during which time some TV stations will need to transition to new channel assignments. As a result of the auction, the Commission has to repack 7 of its 9 TV stations within the following timeline:

Phase	Station	Testing Period	Phase Completion
1	WGTV	9/14/2018	11/30/2018
2	N/A	12/1/2018	4/12/2019
3	N/A	4/13/2019	6/21/2019
4	N/A	6/22/2019	8/2/2019
5	WNGH	8/3/2019	9/6/2019
6	N/A	9/7/2019	10/18/2019
7	N/A	10/19/2019	1/17/2020
8	N/A	1/18/2020	3/13/2020
9	WMUM, WVAN, WXGA	3/14/2020	5/1/2020
10	WACS, WGTV	5/2/2020	7/3/2020

Repacking will include modifying our facilities to transmit on a different frequency and will include tower modifications, antennas, transmitters, measurement analysis and engineering work. The Commission will use proceeds from the reverse auction to cover all repacking costs associated with WJSP TV and WNGH TV. The other 5 stations will be reimbursed by the FCC at 90% initially. The FCC plans to cover all repacking costs but this assumes they will have enough funds to cover all of the stations nationwide that are mandated to repack over the next 39 month period. It is likely that the Commission will use its auction proceeds to cover any unfunded reimbursement from the FCC.

REQUIRED SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2017

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)
6/30/2016	\$ -	\$ 10,271,554	\$ 10,271,554	0.00%	\$ 7,828,224	131.2%
6/30/2014	\$ -	\$ 7,023,381	\$ 7,023,381	0.00%	\$ 6,421,938	109.4%

The next valuation report is scheduled for June 30, 2017 and will be used for fiscal year 2018 audited financial statements .

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2017

SCHEDULE " 2 "

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.301857%	0.277984%	0.255447%
Employer's proportionate share of the net pension liability	\$ 14,279,104	\$ 11,262,238	\$ 9,580,841
Employer's covered payroll	\$ 7,571,004	\$ 6,887,434	\$ 6,252,863
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	188.60%	163.52%	153.22%
Plan fiduciary net position as a percentage of the total pension liability	72.34%	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, 2017

SCHEDULE " 3 "

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.001938%	0.001538%	0.001603%
Employer's proportionate share of the net pension liability	\$ 399,831	\$ 234,145	\$ 202,518
Employer's covered payroll	\$ 212,600	\$ 162,373	\$ 163,542
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	188.07%	144.20%	123.83%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	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, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,924,905	\$ 1,734,997	\$ 1,395,723	\$ 1,061,780	\$ 869,671	\$ 709,042	\$ 643,416	\$ 707,702	\$ 800,639	\$ 895,283
Contributions in relation to the contractually required contribution	1,924,905	1,734,997	1,395,723	1,061,780	869,671	709,042	643,416	707,702	800,639	895,283
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 8,409,681	\$ 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
Contributions as a percentage of covered payroll	22.89%	22.92%	20.26%	16.98%	13.55%	10.12%	9.30%	9.72%	10.33%	10.42%

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
JUNE 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 23,258	\$ 30,338	\$ 21,352	\$ 20,083	\$ 18,444	\$ 16,618	\$ 22,259	\$ 21,089	\$ 30,717	\$ 39,248
Contributions in relation to the contractually required contribution	23,258	30,338	21,352	20,083	18,444	16,618	22,259	21,089	30,717	39,248
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 165,129	\$ 212,600	\$ 162,373	\$ 163,542	\$ 161,652	\$ 161,652	\$ 216,522	\$ 216,522	\$ 330,999	\$ 422,939
Contributions as a percentage of covered payroll	14.08%	14.27%	13.15%	12.28%	11.41%	10.28%	10.28%	9.74%	9.28%	9.28%

EMPLOYEES' RETIREMENT SYSTEM

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rate of mortality, retirement, disability, withdrawal and salary increases.

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.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance</u>
Funds Available				
Revenues				
Other Revenues Retained	\$ <u>36,053,588</u>	\$ <u>36,054,831</u>	\$ <u>34,657,303</u>	\$ <u>(1,397,528)</u>
Expenditures				
Culture And Education	\$ <u>36,053,588</u>	\$ <u>36,054,831</u>	\$ <u>33,812,368</u>	\$ <u>2,242,463</u>
Excess of Funds Available over Expenditures			\$ <u>844,935</u>	\$ <u>844,935</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"	\$ 34,657,303
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>45,418</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	\$ <u>34,702,721</u>

Uses/outflows for resources

Actual amounts (budgetary basis) "expenditures"	\$ 33,812,368
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.	(94,402)
For budget purposes, encumbrances are reported as expenditures in the year purchase orders are issued but are expensed when invoiced for financial reporting purposes.	505,347
For budget purposes, expenditures in the Foundation are non-budgetary.	<u>1,094,542</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	\$ <u>35,317,855</u>

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SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

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

Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board 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 Georgia Public Telecommunications Commission, a component unit of the State of Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Georgia Public Telecommunications Commission's basic financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated October 4, 2017.

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 4, 2017