

**Fiscal
Year
2020**

Georgia Public Telecommunications Commission

A Component Unit of the State of Georgia

Financial Statements

For the Fiscal Year
Ended June 30, 2020

(With Independent Auditor's Report Thereon)

**Department of
Audits and Accounts**

**Greg S. Griffin
State Auditor**



GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

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

Independent Auditor's Report

The Honorable Brian P. Kemp, 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), a component unit of the State of Georgia, as of and for the year ended June 30, 2020, 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 an opinion 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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents 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 accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Prior-Year Comparative Information

We have previously audited the Commission's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated October 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020 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 solely 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 the effectiveness of the Commission's 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.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

December 10, 2020

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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, 2020 and compares them to fiscal year ended June 30, 2019 and June 30, 2018. 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 2020, the Commission's combined ending net position totaled a deficit of \$1,702,148. Of this total, \$6,562,236 is invested in capital assets and (\$8,264,384) is unrestricted.

Long-term Liabilities

GPB's total long-term debt liabilities consist of \$1,076,195 in compensated absences, \$12,950,315 in GPB's proportionate share of net pension liability and \$11,355,167 in net other post-employment benefit liability.

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, 2020. 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).

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.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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 blended component unit, The Foundation for Public Broadcasting in Georgia, Inc. The *Capital Projects Fund* accounts for financial transactions related to the Commission's capital facilities projects funded by Georgia State Financing and Investment Commission (GSFIC) bonds, Federal Communication Commission (FCC) repacking projects funded by FCC auction proceeds or FCC reimbursements and Public Broadcasting Service (PBS) translator grants for television translator displacement due to the FCC repack.

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 57 of this report, consists of a schedule of the Commission's changes in total OPEB liability and related ratios for GPTC's health plan, schedules of proportionate share of the net OPEB asset for SEAD, schedules of proportionate share pension of the net 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 is not required begins on page 67 and consists of a general fund statement of revenues and expenditures budget and actual Statement and a statement of activities by Corporation for Public Broadcasting grantee and notes to this supplementary information.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Georgia Public Telecommunications Commission Net Position

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|--------------------|
| Assets | | | |
| Capital Assets, Net of Depreciation | \$ 6,562,236 | \$ 2,990,712 | \$ 3,223,407 |
| Other Assets | <u>18,826,037</u> | <u>22,106,137</u> | <u>27,058,038</u> |
| Total Assets | <u>25,388,273</u> | <u>25,096,849</u> | <u>30,281,445</u> |
| Deferred Outflows of Resources | | | |
| Related to Defined Benefit Pension Plans | 3,054,289 | 3,130,860 | 2,601,081 |
| Related to Other Post-Employment Benefits | <u>816,258</u> | <u>235,684</u> | <u>155,038</u> |
| Total Deferred Outflow of Resources | <u>3,870,547</u> | <u>3,366,544</u> | <u>2,756,119</u> |
| Liabilities | | | |
| Other Liabilities | 2,210,268 | 940,114 | 432,859 |
| Long-Term Liabilities | | | |
| Current | 376,895 | 285,056 | 269,953 |
| Noncurrent | <u>25,004,782</u> | <u>28,709,568</u> | <u>29,684,978</u> |
| Total Liabilities | <u>27,591,945</u> | <u>29,934,738</u> | <u>30,387,790</u> |
| Deferred Inflows of Resources | | | |
| Related to Defined Benefit Pension Plans | 694,768 | 1,026,438 | 111,867 |
| Related to Other Post-Employment Benefits | <u>2,674,255</u> | <u>2,514,031</u> | <u>1,576,344</u> |
| Total Deferred Inflows of Resources | <u>3,369,023</u> | <u>3,540,469</u> | <u>1,688,211</u> |
| Net Position | | | |
| Investment in Capital Assets | 6,562,236 | 2,990,712 | 3,223,407 |
| Unrestricted (Deficit) | <u>(8,264,384)</u> | <u>(8,002,526)</u> | <u>(2,261,844)</u> |
| Total Net Position | <u>\$ (1,702,148)</u> | <u>\$ (5,011,814)</u> | <u>\$ 961,563</u> |

Capital Assets, Net of Depreciation increased by \$3,571,521 due to tower and antenna modifications for the FCC spectrum repacking project.

The Commission's total net position increased by \$3,309,666 from the prior year which is largely attributed to a decrease in net liabilities. The Commission's total liabilities for fiscal year 2020 decreased by \$2,342,793 and are mostly attributable to the decrease in long-term liabilities offset by an increase in unearned revenue for the Woodruff grant.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

The following is a summary of the Revenues and Transfers, Expenses and changes in Net Position for fiscal years 2020, 2019 and 2018:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 6,080,326 | \$ 5,682,409 | \$ 6,296,911 |
| Operating Grants and Contributions | 14,620,095 | 12,559,688 | 12,005,295 |
| Capital Grants and Contributions | 3,247,630 | 576,029 | 1,681,485 |
| General Revenues | | | |
| Intergovernmental - Other | 14,705,194 | 15,197,539 | 15,251,668 |
| Unrestricted Investment Earnings | 689,008 | 1,012,742 | 515,090 |
| Special Items | - | - | 19,217,113 |
| Transfers and Donated Assets | - | (362,394) | (8,110) |
| Total Revenues, Special Items and Transfers | 39,342,253 | 34,666,013 | 54,959,452 |
| Expenses | | | |
| Culture and Education | 36,032,587 | 40,639,390 | 38,367,701 |
| Increase (Decrease) in Net Position | 3,309,666 | (5,973,377) | 16,591,751 |
| Net Position - Beginning as Originally Reported | (5,011,814) | 961,563 | (2,353,874) |
| Cumulative Effect of Changes in Accounting Principle | - | - | (13,276,314) |
| Net Position - Beginning of Year, Restated | (5,011,814) | 961,563 | (15,630,188) |
| Total Net Position - Ending | \$ (1,702,148) | \$ (5,011,814) | \$ 961,563 |

The increase in total revenues and transfers from fiscal year 2019 to fiscal year 2020 is attributable to increases in capital grants for projects funded by the Federal Communications Commission (FCC) and the Public Broadcasting Service (PBS).

The FCC invited stations to enter a reverse auction at the end of 2015 to purchase spectrum used by television stations to sell to wireless to broadband companies. GPTC entered two of its stations into the reverse auction, WJSP TV (Columbus) and WNGH TV (Rome). These stations were on the UHF band and we were able 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. The special item in FY 2018 represents proceeds from the FCC for the sale of spectrum at WJSP TV and WNGH TV.

As a result of the Federal Communications Commission's (FCC) Incentive Auction and subsequent spectrum repacking, TV Translator and Low Power Television (LPTV) stations will be displaced from channels 38-51. On June 26, 2017, PBS was awarded a grant from T-Mobile to provide funding to enable public television translators to move to new displacement channels regardless of the reason for displacement. The Commission was approved for a grant during fiscal year 2020 for four of its translator locations.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Other changes to revenue include an increase in contributions and donations and an increase in underwriting. The Statement of Revenues, Expenses and changes in Net Position reflects an increase in net position attributable to current year activity.

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, 2020 the General Fund had \$716,378 in assigned fund balance for encumbrances and \$619,834 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, 2020 the Special Revenue Fund has \$14,727,721 in assigned fund balance as described in the Notes to the Financial Statements.

Capital Project Fund

The Capital Project Fund accounts for financial transactions related to the Commission's capital facilities projects funded by Georgia State Financing and Investment Commission (GSFIC) bonds and Federal Communication Commission (FCC) repacking projects funded by FCC auction proceeds or FCC reimbursements and Public Broadcasting Service (PBS) translator grants for television translator displacement due to the FCC repack. At June 30, 2020 the Capital Project Fund had no fund balance as described in the Notes to the Financial Statements.

BUDGET COMPARISON ANALYSIS

The original budget for the Commission of \$36,971,120 and increased to \$37,691,125 during the fiscal year. Expenditures on a budgetary basis were less than budget by \$453,977 but more than revenues by \$1,130,015.

CAPITAL ASSETS

The Commission's investment in capital assets as of June 30, 2020, amounts to \$70,812,266 which-with accumulated depreciation of \$64,250,030--leaves a net book value of \$6,562,236. This investment in capital assets includes land, buildings and equipment. The actual depreciation charges for the year totaled \$1,024,722. The Georgia Public Telecommunications Commission entered into a forty-year intergovernmental agreement with the Board of Regents effective July 1, 2012. The Commission transferred other property and equipment at its headquarters location and the WJSP tower site to the Board of Regents. This transfer is required to obtain the use of general obligation bonds sold in the Board of Regents name on behalf of the Commission. The Commission, an authority created after 1967, cannot have bonds sold on its behalf. There was no net transfer to the Board of Regents in fiscal year 2020. There was a \$3,571,524 increase in capital assets attributable to tower and antenna modifications related to the FCC spectrum repacking project.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Georgia has historically been, and remains, a strong, fiscally conservative state. During the legislative session in June 2020, Governor Kemp recommended, and the General Assembly enacted 10 percent budget reductions for state agencies to proactively balance the budget to meet a dramatically reduced revenue forecast as a result of COVID-19. COVID-19 is an infectious disease caused by a newly discovered coronavirus that has developed into a global pandemic. At the time of publication, there were over 44 million cases reported worldwide and over 1 million deaths. It has caused global social and economic disruption including the largest global recession since the Great Depression.

In Georgia, the disruption was no different and the state was faced with difficult decisions including the 10 percent budget reduction for state agencies while tapping into budget reserves in order to balance the state's budget. Since June 2020, the state has seen positive economic growth but it will take some time for Georgia to fully recover to the historic growth levels we saw over the last several years. The Commission, along with other state agencies, was asked to submit budgets equivalent to our fiscal year 2021 appropriation for Amended fiscal year 2021 and fiscal year 2022. The Commission's 2021 budgeted expenditures were 10% less than 2020 original budgeted expenditures. This was a \$3,794,031 decrease.

The current state appropriation is approximately 41% of GPB's annual budget. To meet expenditures, GPB must raise approximately \$18 million for the upcoming budget year. Our revenue generation from outside sources remains critically important as state appropriations remain flat and the impact of the COVID-19 pandemic on raising revenue from other sources is unpredictable. GPB projects moderate increases in other sources of revenue to sustain its annual budget; however, fundraising efforts could be adversely affected if the economy is unstable.

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, 2020

(with summarized comparative information for the year ended June 30, 2019)

| | <u>Governmental Activities</u> | |
|---|--------------------------------|-----------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 2,457,125 | \$ 2,173,122 |
| Investments | 14,090,286 | 18,756,237 |
| Accounts Receivable | 1,726,790 | 673,136 |
| Net OPEB Asset | 551,836 | 503,642 |
| Capital Assets | | |
| Land | 1,478,948 | 1,478,948 |
| Buildings and Building Improvements | 217,978 | 217,978 |
| Other Property and Equipment | 69,115,340 | 65,714,129 |
| Less: Accumulated Depreciation | <u>(64,250,030)</u> | <u>(64,420,343)</u> |
| Total Assets | <u>25,388,273</u> | <u>25,096,849</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to Defined Benefit Pension Plans | 3,054,289 | 3,130,860 |
| Related to Other Post-Employment Benefits | <u>816,258</u> | <u>235,684</u> |
| Total Deferred Outflows of Resources | <u>3,870,547</u> | <u>3,366,544</u> |
| LIABILITIES | | |
| Accounts Payable and Other Accruals | 574,902 | 893,240 |
| Unearned Revenue | 1,635,366 | 46,874 |
| Noncurrent Liabilities | | |
| Due Within One Year | | |
| Compensated Absences | 376,895 | 285,056 |
| Due in More Than One Year | | |
| Compensated Absences | 699,300 | 822,166 |
| Other Post-Employment Benefit Liability | 11,355,167 | 15,683,372 |
| Net Pension Liability | <u>12,950,315</u> | <u>12,204,030</u> |
| Total Liabilities | <u>27,591,945</u> | <u>29,934,738</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Defined Benefit Pension Plans | 694,768 | 1,026,438 |
| Related to Other Post-Employment Benefits | <u>2,674,255</u> | <u>2,514,031</u> |
| Total Deferred Inflows of Resources | <u>3,369,023</u> | <u>3,540,469</u> |
| NET POSITION | | |
| Investment in Capital Assets | 6,562,236 | 2,990,712 |
| Unrestricted (Deficit) | <u>(8,264,384)</u> | <u>(8,002,526)</u> |
| Total Net Position | <u>\$ (1,702,148)</u> | <u>\$ (5,011,814)</u> |

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2020
(with summarized comparative information for the year ended June 30, 2019)

EXHIBIT "B"

| Functions/Programs | Program Revenues 2020 | | | | Net (Expense) Revenue and Changes in Net position | |
|--------------------------------------|-----------------------|-------------------------|--|--|--|-----------------|
| | Expenses 2020 | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| | | | | | 2020 | 2019 |
| Governmental Activities | | | | | | |
| Culture and Education | \$ 36,032,587 | \$ 6,080,326 | \$ 14,620,095 | \$ 3,247,630 | \$ (12,084,536) | \$ (21,821,264) |
| Total Governmental Activities | \$ 36,032,587 | \$ 6,080,326 | \$ 14,620,095 | \$ 3,247,630 | \$ (12,084,536) | \$ (21,821,264) |
| General Revenues | | | | | | |
| Intergovernmental - Other | | | | | 14,705,194 | 15,197,539 |
| Unrestricted Investment Earnings | | | | | 689,008 | 1,012,742 |
| Transfers and Donated Assets | | | | | - | (362,394) |
| Total General Revenues and Transfers | | | | | 15,394,202 | 15,847,887 |
| Change in Net Position | | | | | 3,309,666 | (5,973,377) |
| Net Position - Beginning | | | | | (5,011,814) | 961,563 |
| Net Position - Ending | | | | | \$ (1,702,148) | \$ (5,011,814) |

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds | |
|--------------------------------------|-------------------|-------------------------|--------------------------|--------------------------|-------------------|
| | | | | 2020 | 2019 |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 1,807,447 | \$ 1,878,195 | \$ - | \$ 3,685,642 | \$ 2,173,122 |
| Investments | - | 14,090,286 | - | 14,090,286 | 18,756,237 |
| Accounts Receivable | | | | | |
| Other | 441,287 | - | 1,285,503 | 1,726,790 | 673,136 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | \$ 2,248,734 | \$ 15,968,481 | \$ 1,285,503 | \$ 19,502,718 | \$ 21,602,495 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Cash Overdraft | \$ - | \$ - | \$ 1,228,517 | 1,228,517 | \$ - |
| Accounts Payable and Other Accruals | 543,981 | 5,716 | 25,205 | 574,902 | 893,240 |
| Unearned Revenue | 368,541 | 1,235,044 | 31,781 | 1,635,366 | 46,874 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | 912,522 | 1,240,760 | 1,285,503 | 3,438,785 | 940,114 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Fund Balances | | | | | |
| Assigned | 716,378 | 14,727,721 | - | 15,444,099 | 20,694,520 |
| Unassigned | 619,834 | - | - | 619,834 | (32,139) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | 1,336,212 | 14,727,721 | - | 16,063,933 | 20,662,381 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities and Fund Balances | \$ 2,248,734 | \$ 15,968,481 | \$ 1,285,503 | | |
| | <u> </u> | <u> </u> | <u> </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 | 69,115,340 |
| Accumulated Depreciation | <u>(64,250,030)</u> |
| Total Capital Assets | <u>6,562,236</u> <u>2,990,712</u> |

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 | (1,076,195) | (1,107,222) |
| Other Post-Employment Benefit Obligations and Deferred Outflows and Inflows | (12,661,328) | (17,458,077) |
| Pension Liability and Deferred Outflows and Inflows on Pension Plan | <u>(10,590,794)</u> | <u>(10,099,608)</u> |
| | <u>(24,328,317)</u> | <u>(28,664,907)</u> |

Net Position of Governmental Activities (Exhibit "A") \$ (1,702,148) \$ (5,011,814)

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2020
(with summarized comparative information for the year ended June 30, 2019)

EXHIBIT "D"

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds | |
|---|-----------------|-------------------------|--------------------------|--------------------------|----------------|
| | | | | 2020 | 2019 |
| REVENUES | | | | | |
| Intergovernmental - Federal | | | | | |
| U.S. Department of Education | \$ 68,117 | \$ - | \$ - | \$ 68,117 | \$ 81,881 |
| Intergovernmental - Other | | | | | |
| State Appropriations through the Board of Regents of the University System of Georgia | 14,705,194 | - | - | 14,705,194 | 15,197,539 |
| Corporation for Public Broadcasting - Grants | 4,163,152 | - | - | 4,163,152 | 3,720,705 |
| Federal Communications Commission - Proceeds | - | - | 2,783,752 | 2,783,752 | 37,516 |
| GSFIC | - | - | 97,049 | 97,049 | 538,513 |
| Public Broadcasting Service - Grant | - | - | 366,829 | 366,829 | - |
| Contributions and Donations | | | | | |
| Foundation for Public Broadcasting in Georgia, Inc. | - | 10,388,826 | - | 10,388,826 | 8,757,102 |
| Interest and Other Investment Income | - | 386,421 | - | 386,421 | 499,863 |
| Rents and Royalties | 2,553,634 | - | - | 2,553,634 | 2,603,749 |
| Sales and Services | 383,756 | - | - | 383,756 | 396,969 |
| Underwriting | 2,866,703 | - | - | 2,866,703 | 2,433,071 |
| Gain on Investments | - | 302,587 | - | 302,587 | 512,879 |
| Miscellaneous | 276,233 | - | - | 276,233 | 248,620 |
| | 25,016,789 | 11,077,834 | 3,247,630 | 39,342,253 | 35,028,407 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Culture and Education | 37,440,495 | 124,633 | 6,375,573 | 43,940,701 | 40,451,341 |
| Excess Of Revenues Over (Under) Expenditures | (12,423,706) | 10,953,201 | (3,127,943) | (4,598,448) | (5,422,934) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund Transfers | 13,792,057 | (16,920,000) | 3,127,943 | - | - |
| FUND BALANCES - BEGINNING | | | | | |
| | (32,139) | 20,694,520 | - | 20,662,381 | 26,085,315 |
| FUND BALANCES - ENDING | | | | | |
| | \$ 1,336,212 | \$ 14,727,721 | \$ - | \$ 16,063,933 | \$ 20,662,381 |
| Net change in fund balances - total governmental funds | | | | \$ (4,598,448) | \$ (5,422,934) |
| 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 | | | \$ 4,596,246 | | |
| Depreciation Expense | | | (1,024,722) | 3,571,524 | 129,699 |
| Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. This activity consists of: | | | | | |
| Decrease in Compensated Absences | | | | 31,027 | (44,732) |
| Decrease in Other Post-Employment Benefit Obligations | | | | 4,796,749 | (794,248) |
| Increase in Pension Obligations | | | | (491,186) | 521,232 |
| The net effect of transactions involving capital assets is to increase net position: | | | | | |
| Net Transfer of Equipment | | | | - | (362,394) |
| Change in net position of governmental activities (Exhibit "B") | | | | \$ 3,309,666 | \$ (5,973,377) |

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)**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, a component unit of the State of Georgia, 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 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 THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

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.

The basic financial statements include prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities report information on all 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.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2020(with summarized comparative information for the year ended June 30, 2019)

The Commission reports the following major governmental funds:

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

The *Special Revenue Fund* is used to account for all financial transactions related to the component unit, The Foundation for Public Broadcasting in Georgia, Inc.

The *Capital Projects Fund* accounts for financial transactions related to the Commission's capital facilities projects funded by Georgia State Financing and Investment Commission (GSFIC) bonds and FCC repacking projects funded by FCC auction proceeds or FCC reimbursements.

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 may withdraw cash at any time without prior notice or penalty.

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

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 the accounts receivable balances for collectability and determined that the balances are collectible and an allowance for uncollectible accounts is considered unnecessary.

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 and the Commission's other post-employment benefits plan (OPEB) related to health insurance and the State Employees' Assurance Department (SEAD) OPEB. 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 benefits obligations.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)***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; the Commission's other post-employment benefits plan (OPEB) related to health insurance and the State Employees' Assurance Department (SEAD) OPEB. 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 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.

Other Post-Employment Benefits (OPEB) Items

There are two items relating to OPEB. The Commission's OPEB Plan is a single-employer defined benefit post-retirement healthcare plan and the SEAD-OPEB establishes a fund for the provision of term life insurance to retired and vested inactive members of ERS, the Georgia Judicial Retirement System (GJRS), and Legislative Retirement System (LRS). For purposes of measuring the net SEAD-OPEB asset, deferred outflows of resources and deferred inflows of resources related to SEAD-OPEB, and SEAD-OPEB expense, net position has been determined on the same basis as reported by ERS.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

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 \$716,378 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 \$14,727,721 as of June 30, 2020. This balance consists of funding 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:

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

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

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

E. REVENUES AND EXPENDITURES/EXPENSES

Program Revenues

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

Compensated Absences

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

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)**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.
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 can 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)**NOTE 3: ACCOUNTING CHANGES - ADOPTION OF NEW ACCOUNTING PRINCIPLES**

During fiscal year 2020, the following GASB statement was implemented:

No. 84 Fiduciary Activities

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

The Commission did not report any activity that met the criteria of this statement for fiscal year 2020. The adoption of this statement had no effect on the financial statements.

No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2020(with summarized comparative information for the year ended June 30, 2019)

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The Commission does not have any disclosures related to debt and the adoption of this statement had no effect on the Commission's fiscal year 2020 notes to financial statements.

No. 95 Postponement of the Effect Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The Commission will comply with the provisions of any applicable statement (for example, statement No. 87, Leases) with its new effective date.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

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, 2020 the Commission's deposits bank balance of \$2,522,908 was insured and collateralized as part of the State of Georgia Pledging Pool; therefore, none of this amount was exposed to custodial credit risk.

| | 2020 | | 2019 | |
|---|---------------------------|---------------|---------------------------|---------------|
| | Cash and Cash Equivalents | Investments | Cash and Cash Equivalents | Investments |
| Per Statement of Net Position | \$ 3,685,642 | \$ 14,090,286 | \$ 2,173,122 | \$ 18,756,237 |
| Reclassification to Investments for Risk Assessment Disclosures | | | | |
| Money market mutual fund | (482,882) | 482,882 | (1,750,586) | 1,750,586 |
| Per Notes to the Financial Statements | \$ 3,202,760 | \$ 14,573,168 | \$ 422,536 | \$ 20,506,823 |

B. Investments

The Commission's investments as of June 30, 2020 are presented by investment type and debt securities are presented by maturity.

| Investment Type | Investment Maturity | | | | Fair Value 2020 | Fair Value 2019 |
|---------------------------------|---------------------|--------------|--------------|--------------------|-----------------|-----------------|
| | Less Than 1 Year | 1 - 5 Years | 6 - 10 Years | More than 10 Years | | |
| <u>Debt Securities</u> | | | | | | |
| Corporate Bonds | \$ - | \$ 4,072,216 | \$ - | \$ - | \$ 4,072,216 | \$ 6,022,192 |
| Money Market Mutual Fund | 482,882 | - | - | - | 482,882 | 1,750,586 |
| CMO and Asset Backed Securities | - | 595,191 | - | - | 595,191 | 26,218 |
| Municipal Bonds | - | 205,581 | - | - | 205,581 | 467,424 |
| U. S. Agencies | - | 256,642 | - | - | 256,642 | 662,091 |
| U. S. Treasury Obligations | - | 1,819,032 | - | - | 1,819,032 | 1,454,021 |
| | \$ 482,882 | \$ 6,948,662 | \$ - | \$ - | \$ 7,431,544 | \$ 10,382,532 |
| <u>Other Investments</u> | | | | | | |
| Exchange Traded Funds | | | | | 7,141,624 | 10,124,291 |
| | | | | | \$ 14,573,168 | \$ 20,506,823 |

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. The investment consultant and the fixed income manager work together to adjust bond duration to minimize the interest rate risk of the bond portfolio. Asset allocations and general investment guidelines are determined by the Foundation's investment policy.

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Credit Risk

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

1. **Acceptable Fixed Income Investments** may be comprised of the following: Domestic bonds, of "Baa3/BBB-" (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.
2. **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).
3. **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 | BBB | Unrated | 2020 | 2019 |
| Corporate Bonds | \$ 103,288 | \$ 532,478 | \$ 1,732,307 | \$ 1,704,142 | \$ - | \$ 4,072,215 | \$ 5,515,469 |
| Money Market Mutual Fund | - | - | - | - | 482,882 | 482,882 | 8,032,911 |
| CMO and Asset Backed Securities | 402,937 | - | - | - | 192,255 | 595,192 | 29,168 |
| Municipal Bonds | 52,819 | 50,837 | 101,925 | - | - | 205,581 | 553,833 |
| U. S. Agencies | - | 256,642 | - | - | - | 256,642 | 1,044,665 |
| U. S. Treasury Obligations | - | 1,715,664 | - | - | 103,368 | 1,819,032 | 2,525,634 |
| | <u>\$ 559,044</u> | <u>\$ 2,555,621</u> | <u>\$ 1,834,232</u> | <u>\$ 1,704,142</u> | <u>\$ 778,505</u> | <u>\$ 7,431,544</u> | <u>\$ 17,701,680</u> |

Equity Risk

Equity risk is the risk that equity investments or funds holding equity investments (ETFs and mutual funds) will lose value due to poor market conditions, an economic recession, and/or any number of unforeseen events (economic or geopolitical). Additionally, foreign equities held in U.S. dollar denominated funds are subject to foreign exchange risk. The Commission's policy for managing equity risk is to only allocate funds to equities that are longer-term in nature and can be held through a full market cycle. With the assistance of the investment consultant, the investment committee will determine the appropriate allocation to equities based on market conditions and the near-term liquidity needs of the Commission. The investment policy includes the following investing restrictions to manage equity risk:

1. **Acceptable Equity Investments** should consist of the following: Domestic (U.S.) common stock-includes preferred and convertible issues; American Depository Receipts (ADR's) of foreign companies; mutual funds (excluding those managed by the manager's/advisor's firm(s)); Exchange Traded Funds (ETF's) and Publicly-traded Real Estate Investment Trusts (REIT's).

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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.

Fair Value Measurement

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

- Level 1 – valuations based on unadjusted quoted prices in active markets for identical assets and have daily liquidity and daily pricing. Commission investments under Level 1 include money market funds, exchange traded funds and U.S. Treasury Securities.
- 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. 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, 2020.

The Commission did not have any Net Asset Value (NAV) investments at June 30, 2020. The following table shows the fair value leveling of the Commission’s investments.

| Investments by Fair Value Level | Fair Value Measures Using | | | Total 2020 | Total 2019 |
|---------------------------------|--|---|--|----------------------|----------------------|
| | 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 | \$ - | \$ 4,072,216 | \$ - | \$ 4,072,216 | \$ 6,022,192 |
| Money Market Mutual Fund | 482,882 | - | - | 482,882 | 1,750,586 |
| CMO and Asset Backed Securities | - | 595,191 | - | 595,191 | 26,218 |
| Municipal Bonds | - | 205,581 | - | 205,581 | 467,424 |
| U. S. Agencies | - | 256,642 | - | 256,642 | 662,091 |
| U. S. Treasury Obligations | 1,819,032 | - | - | 1,819,032 | 1,454,021 |
| <u>Other Investments</u> | | | | | |
| Exchange Traded Funds | 7,141,624 | - | - | 7,141,624 | 10,124,291 |
| | <u>\$ 9,443,538</u> | <u>\$ 5,129,630</u> | <u>\$ -</u> | <u>\$ 14,573,168</u> | <u>\$ 20,506,823</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

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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, 2020, \$14,573,168 of the Commission's applicable investments was held by the investment account custodian.

Concentration of Credit Risk

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

The investment advisor for the Fixed Income portfolio which represents approximately 49% 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/Truist Financial 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 restricted to 60% of the portfolio market value; 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, 2019, 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

| | | <u>Governmental Activities</u> | |
|---|----|--------------------------------|-------------------|
| | | <u>2020</u> | <u>2019</u> |
| Production, Sales, Rents and Underwriting | \$ | 441,287 | \$ 637,899 |
| GSFIC Bonds | | 18,720 | - |
| FCC Proceeds | | 1,224,308 | 35,237 |
| PBS Grant | | 42,475 | - |
| Total | \$ | <u>1,726,790</u> | <u>\$ 673,136</u> |

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(with summarized comparative information for the year ended June 30, 2019)

NOTE 6: CAPITAL ASSETS

Capital asset activity at June 30, 2020 and June 30, 2019 is as follows:

| Governmental Activities: | Beginning Balance 2020 | Increases | Decreases | Ending Balance 2020 |
|---|-----------------------------------|---------------------|---------------------|--------------------------------|
| 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 | <u>65,714,129</u> | <u>4,596,246</u> | <u>(1,195,035)</u> | <u>69,115,340</u> |
| Total Capital Assets Being Depreciated | <u>65,932,107</u> | <u>4,596,246</u> | <u>(1,195,035)</u> | <u>69,333,318</u> |
| Less: Accumulated Depreciation | | | | |
| For: | | | | |
| Buildings and Building Improvements | (49,045) | (4,905) | - | (53,950) |
| Other Property and Equipment | <u>(64,371,298)</u> | <u>(1,019,817)</u> | <u>1,195,035</u> | <u>(64,196,080)</u> |
| Total Accumulated Depreciation | <u>(64,420,343)</u> | <u>(1,024,722)</u> | <u>1,195,035</u> | <u>(64,250,030)</u> |
| Governmental Activities Capital Assets, Net | \$ <u>2,990,712</u> | \$ <u>3,571,524</u> | \$ - | \$ <u>6,562,236</u> |
| | | | | |
| Governmental Activities: | Beginning Balance 2019 | Increases | Decreases | Ending Balance 2019 |
| 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 | <u>65,557,886</u> | <u>1,046,190</u> | <u>(889,947)</u> | <u>65,714,129</u> |
| Total Capital Assets Being Depreciated | <u>65,775,864</u> | <u>1,046,190</u> | <u>(889,947)</u> | <u>65,932,107</u> |
| Less: Accumulated Depreciation | | | | |
| For: | | | | |
| Buildings and Building Improvements | (44,141) | (4,904) | - | (49,045) |
| Other Property and Equipment | <u>(63,987,264)</u> | <u>(911,587)</u> | <u>527,553</u> | <u>(64,371,298)</u> |
| Total Accumulated Depreciation | <u>(64,031,405)</u> | <u>(916,491)</u> | <u>527,553</u> | <u>(64,420,343)</u> |
| Governmental Activities Capital Assets, Net | \$ <u>3,223,407</u> | \$ <u>129,699</u> | \$ <u>(362,394)</u> | \$ <u>2,990,712</u> |

Depreciation expense for the fiscal year ended June 30, 2020 was \$1,024,722 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

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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. There was no net transfer to the Board of Regents in fiscal year 2020.

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 rentals of facilities and towers were \$1,264,373 for the year ended June 30, 2020. Minimum future revenues and rentals to be received under operating leases as of June 30, 2020, are as follows:

| <u>Fiscal Year Ended June 30</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------|---------------------|---------------------|
| 2020 | \$ - | \$ 1,164,385 |
| 2021 | 1,254,285 | 1,184,085 |
| 2022 | 1,217,481 | 1,139,481 |
| 2023 | 1,236,443 | 1,157,363 |
| 2024 | 1,183,642 | 1,103,446 |
| 2025 | 210,504 | 127,908 |
| 2026 - 2030 | 516,345 | 160,413 |
| Total Minimum Commitments | \$ <u>5,618,700</u> | \$ <u>6,037,081</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. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or requirements for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers of balances between funds are made to accomplish various provisions of law. Transfers between funds as of June 30, 2020 were as follows:

| | Transfers | |
|----------------------|-------------------------|--------------------------|
| | Special Revenue Fund | Capital Projects Fund |
| General Fund | | |
| \$ 16,920,000 | \$ (16,920,000) | \$ - |
| (3,127,943) | - | 3,127,943 |
| <u>\$ 13,792,057</u> | <u>\$ (16,920,000)</u> | <u>\$ 3,127,943</u> |

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The total transfer of funds from the Foundation to the Commission’s general fund for fiscal year 2020 was \$16,920,000. 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. During fiscal year 2018, the Commission received FCC auction proceeds which were invested with the Foundation in order to fund our FCC repack or other approved projects. Any unfunded FCC repack or PBS translator expenditures during fiscal year 2020 were covered by a transfer of \$3,127,943 from 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 \$566,636 for the year ended June 30, 2020. The future minimum commitments for operating leases as of June 30 are listed below.

| <u>Fiscal Year Ended June 30</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------|---------------------|---------------------|
| 2020 | - | \$ 553,313 |
| 2021 | \$ 550,701 | 543,336 |
| 2022 | 539,877 | 531,843 |
| 2023 | 527,644 | 519,609 |
| 2024 | 528,991 | 520,956 |
| 2025 | 524,405 | 523,735 |
| 2026-2030 | <u>1,772,779</u> | <u>1,772,779</u> |
| Total Minimum Commitments | <u>\$ 4,444,397</u> | <u>\$ 4,965,571</u> |

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(with summarized comparative information for the year ended June 30, 2019)

NOTE 10: LONG-TERM LIABILITIES

Long-term obligations at June 30 and changes for the fiscal year 2020 and 2019 are as follows:

| <u>Fiscal Year 2020</u> | <u>July 1, 2019</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2020</u> | <u>Due Within One Year</u> |
|--|----------------------|---------------------|---------------------|----------------------|----------------------------|
| Compensated Absences | \$ 1,107,222 | \$ 711,503 | \$ 742,530 | \$ 1,076,195 | \$ 376,895 |
| Net Other Post Employment Benefit Obligation Liability | 15,683,372 | - | 4,328,205 | 11,355,167 | - |
| Net Pension Liability | 12,204,030 | 746,285 | - | 12,950,315 | - |
| | <u>\$ 28,994,624</u> | <u>\$ 1,457,788</u> | <u>\$ 5,070,735</u> | <u>\$ 25,381,677</u> | <u>\$ 376,895</u> |

| <u>Fiscal Year 2019</u> | <u>July 1, 2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2019</u> | <u>Due Within One Year</u> |
|---|----------------------|-------------------|---------------------|----------------------|----------------------------|
| Compensated Absences | \$ 1,062,490 | \$ 431,129 | \$ 386,397 | \$ 1,107,222 | \$ 285,056 |
| Net Other Post Employment Benefit Obligation Liability (Restated) | 15,782,387 | - | 99,015 | 15,683,372 | - |
| Net Pension Liability | 13,110,054 | - | 906,024 | 12,204,030 | - |
| | <u>\$ 29,954,931</u> | <u>\$ 431,129</u> | <u>\$ 1,391,436</u> | <u>\$ 28,994,624</u> | <u>\$ 285,056</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, 2020.

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.

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(with summarized comparative information for the year ended June 30, 2019)**NOTE 12: RELATED PARTY TRANSACTIONS**

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

NOTE 13: RETIREMENT PLANS

The Commission participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS) and Teachers Retirement System of Georgia (TRS). These two systems issue separate, publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained by visiting the following websites:

| | |
|------------------------------|--|
| Employees' Retirement System | 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/financials.

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.

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

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Commission's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2020 was 24.66% of annual covered payroll for old and new plan members and 21.64% for GSEPS members. The Commission's contributions to ERS totaled \$1,869,829 for the year ended June 30, 2020. 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, 2020, the Commission reported a liability for its proportionate share of the net pension liability of \$12,534,668. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2019, the Employer's proportion was 0.303758%, which was an increase of 0.015192% from its proportion measured as of June 30, 2018.

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For the year ended June 30, 2020, the Commission recognized pension expense of \$2,346,808. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 417,442 | \$ - |
| Changes of assumptions | 220,622 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 390,177 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 363,134 | 257,215 |
| Employer contributions subsequent to the measurement date | 1,869,829 | - |
| Total | \$ <u>2,871,027</u> | \$ <u>647,392</u> |

Commission contributions subsequent to the measurement date of \$1,869,829 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, 2021. 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:

| | |
|------|------------|
| 2021 | \$ 560,376 |
| 2022 | (181,430) |
| 2023 | (76,863) |
| 2024 | 51,723 |

Actuarial assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 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 | 7.30%, net of pension plan investment expense, including inflation |

Postretirement 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

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period for service retirements 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 B.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 with the exception of the assumed investment rate of return.

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 % | (0.10) % |
| Domestic large equities | 46.20 | 8.90 |
| Domestic small equities | 1.30 | 13.20 |
| International developed market equities | 12.40 | 8.90 |
| International emerging market equities | 5.10 | 10.90 |
| Alternatives | 5.00 | 12.00 |
| Total | <u>100.00 %</u> | |

* 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 7.30%. 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.

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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 7.30%, as well as what the Agency’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1percentage-point higher (8.30%) than the current rate:

| | <u>1%</u> <u>Decrease</u> <u>(6.30%)</u> | <u>Current</u> <u>discount rate</u> <u>(7.30%)</u> | <u>1%</u> <u>Increase</u> <u>(8.30%)</u> |
|---|--|--|--|
| Employer’s proportionate share of the net pension liability | \$ 17,812,916 | \$ 12,534,668 | \$ 8,035,049 |

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 publicly available at www.ers.ga.gov/financials.

Teachers Retirement System of Georgia (TRS)

Plan description

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

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 2020. Employer’s contractually required contribution rate for the year ended June 30, 2020 was 21.14% of payroll. The Commission’s contributions to TRS were \$46,149 for the year ended June 30, 2020.

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

At June 30, 2020, the Commission reported a liability for its proportionate share of the net pension liability of \$415,647. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2020, the Commission's proportion was 0.001933%, which was an increase of 0.000096% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized pension expense of \$82,385. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 23,428 | \$ 123 |
| Changes of assumptions | 39,887 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 9,898 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 73,798 | 37,355 |
| Employer contributions subsequent to the measurement date | 46,149 | - |
| Total | <u>\$ 183,262</u> | <u>\$ 47,376</u> |

The Commission contributions subsequent to the measurement date of \$46,149 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, 2020. 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: | |
|----------------------------|-----------|
| 2021 | \$ 35,348 |
| 2022 | 6,615 |
| 2023 | 29,282 |
| 2024 | 18,492 |

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Actuarial assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.00 – 8.75%, average, including inflation |
| Investment rate of return | 7.25%, net of pension plan investment expense, including inflation |
| Post-retirement benefit increases | 1.50% semi-annually |

Post-retirement mortality rates were based on the 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) 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 (set forward two years for males and four years for females) was used for death after disability retirement. 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, 2018 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 % | (0.10) % |
| Domestic large equities | 51.00 | 8.90 |
| Domestic small equities | 1.50 | 13.20 |
| International developed market equities | 12.40 | 8.90 |
| International emerging market equities | 5.10 | 10.90 |
| Total | 100.00 % | |

* Rates shown are net of the 2.5% assumed rate of inflation

Discount rate

The discount rate used to measure the total pension liability was 7.25 %. 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.

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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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

| | <u>1% Decrease (6.25%)</u> | <u>Current discount rate (7.25%)</u> | <u>1% Increase (8.25%)</u> |
|---|------------------------------------|--|------------------------------------|
| Employer's proportionate share of the net pension liability | \$ 674,717 | \$ 415,647 | \$ 202,600 |

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.

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

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

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

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or 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 2020, employee GSEPS contributions totaled \$345,210 and GPTC recognized expense of \$77,210.

Georgia Defined Contribution Plan

Certain employees of the Commission participate in the Georgia Defined Contribution Plan (GDGP), 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. GDGP 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 GDGP 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, 2020 were \$116,296 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

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(with summarized comparative information for the year ended June 30, 2019)**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

Administered by the ERS System:

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

Administered by the Georgia Public Telecommunications Commission (GPTC):

- Georgia Public Telecommunications Commission Post-Employment Health Benefits 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)***Plan description***

SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provisions of term life insurance to retired and vested inactive members of ERS, the Georgia Judicial Retirement System (GJRS), and Legislative Retirement System (LRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefits plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans other than OPEB Plans*. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

Benefits provided

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 in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

Contributions

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the Commission reported an asset of \$551,836 for its proportionate share of the net SEAD-OPEB asset. The net SEAD-OPEB asset was measured as of June 30, 2019. The total SEAD-OPEB liability used to calculate the net SEAD-OPEB asset was based on an actuarial valuation as of June 30, 2018. An expected total SEAD-OPEB liability as of June 30, 2019 was determined using standard roll-forward techniques. The Commission's proportion of the net SEAD-OPEB asset was based on actual member salaries reported to the

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SEAD-OPEB plan during the fiscal year ended June 30, 2019. At June 30, 2019, the Commission's proportion was 0.195157%, which was an increase of 0.009068% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized SEAD-OPEB expense of (\$34,798). At June 30, 2020, the Commission reported deferred inflows of resources related to SEAD-OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 2,804 | \$ - |
| Changes of assumptions | 11,173 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 50,704 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 12,347 | 13,209 |
| Total | \$ 26,324 | \$ 63,913 |

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

| | |
|------|------------|
| 2021 | \$ (6,814) |
| 2022 | (28,448) |
| 2023 | (4,809) |
| 2024 | 2,482 |

Actuarial assumptions

The total SEAD-OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|---|
| Inflation | 2.75% |
| Salary increases: | |
| ERS | 3.25 – 7.00% |
| Investment rate of return | 7.30%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rate | N/A |

Postretirement 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. There is a margin for future mortality improvement in the tables used by the plan.

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The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, with the exception of the long-term assumed rate of return.

The long-term expected rate of return on OPEB 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 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 asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term expected real rate of return*</u> |
|---|--------------------------|--|
| Fixed Income | 30.00 % | (0.10) % |
| Domestic large equities | 46.20 | 8.90 |
| Domestic small equities | 1.30 | 13.20 |
| International developed market equities | 12.40 | 8.90 |
| International emerging market equities | 5.10 | 10.90 |
| Alternatives | 5.00 | 12.00 |
| Total | <u>100.00 %</u> | |

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total OPEB liability was 7.30%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Sensitivity of the Commission’s proportionate share of the net SEAD-OPEB asset to changes in the discount rate

The following presents the Employer’s proportionate share of the net OPEB asset calculated using the discount rate of 7.30%, as well as what the Employer’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1percentage-point higher (8.30%) than the current rate:

| | 1% Decrease (6.30%) | Current discount rate (7.30%) | 1% Increase (8.30%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Employer’s proportionate share of the net pension asset | \$ (305,364) | \$ (551,836) | \$ (754,381) |

SEAD-OPEB plan fiduciary net position

Detailed information about the SEAD-OPEB plan’s fiduciary net position is available in the separately issued ERS comprehensive annual financial report which is publically available at www.ers.ga.gov/financials.

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

Plan description

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 benefits (OPEB Plan).

Effective July 1, 2018, the GPTC OPEB Plan implemented the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Plans Other Than Pensions*, which significantly changed the disclosures related to the plan. For the purposes of reporting under GASB Statement No. 75, the GPTC OPEB Plan is a single-employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The information disclosed in this note is presented in accordance with this standard. GPTC’s actuarial report was prepared as of June 30, 2019 (measurement date) based on data, assumptions and results of the biennial actuarial evaluation as of June 30, 2019 (valuation date) for financial reporting as of June 30, 2020.

Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from the Employees’ Retirement System of Georgia or the Teachers Retirement System of Georgia. Coverage starts immediately at retirement, provided the retiree makes proper premium payments. Prior to Medicare eligibility, retirees are required to contribute to the premium at the same rate as active employees. Effective January 1, 2020, upon reaching Medicare eligibility, coverage for retirees is now provided via a Medicare Advantage plan and retirees must pay the premiums for that plan. Retiree and spousal coverage is provided for the lifetime of the participant. Other 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.

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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. Prior to Medicare eligibility, plans offered include a Health Reimbursement Account (HRA) and High Deductible Health Plan (HDHP). As of January 1, 2020, retirees are required to pay 10% of the premium through their required contributions as reflected in the table below.

The following schedule reflects membership for the GPTC-OPEB Plan as of June 30, 2019 measurement date.

| | |
|---|------------|
| Inctive Members or Beneficiaries Currently Receiving Benefits | 16 |
| Inactive Employees Entitled to But Not Yet Receiving Benefits | - |
| Active Members | <u>115</u> |
| Total Membership | 131 |

Total OPEB liability

GPTC's total OPEB liability of \$11,355,167 was measured as of June 30, 2019, and as determined by an actuarial valuation as of that date.

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Actuarial assumptions

The total OPEB liability at June 30, 2019 is based on the June 30, 2019 actuarial valuation with actuarial assumptions and methods used in its determination. Significant assumptions included by the actuary include:

| | |
|--|--|
| Inflation | 2.50% |
| Real Wage Growth | 0.75% |
| Wage Inflation | 3.25% |
| Salary Increases, including Wage Inflation | 3.25% - 7.00% |
| Municipal Bond Index Rate | |
| Prior Measurement Date | 3.87% |
| Measurement Date | 3.50% |
| Health Care Cost Trends | |
| Pre-Medicare | 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2029 |
| Medicare | 5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2023 |

The discount rate used to measure the total OPEB liability was based on Bond Buyer 20-year General Obligation Bond Index published on the last Thursday of June by the Bond Buyer (www.bondbuyer.com).

Mortality rates were based on the RP-2000 mortality tables, with adjustments for ERS experience, projected with Scale BB to 2025.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, adopted by the ERS.

The remaining actuarial assumptions (e.g. initial per capital costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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Changes in the total GPTC-OPEB liability

The changes in the components of the OPEB liability for the year ended June 30, 2020, were as follows:

| | |
|--|------------------------------|
| Total OPEB Liability as of June 30, 2019 | \$ <u>15,683,372</u> |
| Changes for the Year: | |
| Service Cost as the end of the year* | 881,442 |
| Interest on TOL and cash flows | 601,555 |
| Change in benefit terms | (5,405,939) |
| Difference between expected and actual experience | (780,934) |
| Changes of assumptions or other inputs | 656,956 |
| Net benefit payments and implicit subsidy credit** | <u>(281,285)</u> |
| Net Changes | \$ <u>(4,328,205)</u> |
| Total OPEB Liability as of June 30, 2020 | \$ <u>11,355,167</u> |

*the service cost includes interest for the year.

**the net benefit payments shown above include \$45,800 due to the implicit subsidy.

Since the prior measurement date, there were changes in benefit terms which had a large effect on the total OPEB liability as of June 30, 2019. Effective January 1, 2020, medical coverage for retirees and spouses eligible for Medicare was provided via a new Medicare Advantage plan. There were also changes in assumptions or other inputs since the prior measurement date. There was a change in the municipal bond index rate from 3.87% as of the prior measurement date to 3.50% as of the measurement date. Health care cost trend rates were updated to match the trend used in the June 30, 2019 OPEB valuation of the Georgia Department of Community Health as reported in the *State of Georgia Comprehensive Annual Financial Report*. The inflation assumption was lowered from 2.75% to 2.50%.

Sensitivity of the total GPTC-OPEB liability to changes in the health care cost trend rate

The following presents the TOL of the plan, calculated using the health care cost trend rates, as well as what the plan's TOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | Health Care Cost Trend Rate Sensitivity | | |
|----------------------|--|----------------|--------------------|
| | <u>1% Decrease</u> | <u>Current</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ 9,551,896 | \$ 11,355,167 | \$ 13,667,349 |

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JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

Sensitivity of the total GPTC-OPEB liability to changes in the discount rate

The following exhibit presents the TOL of the plan, calculated using the discount rate of 3.50%, as well as what the plan's TOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | Discount Rate Sensitivity | | |
|----------------------|----------------------------------|--------------------|------------------------|
| | 1% Decrease (2.50%) | Current (3.50%) | 1% Increase (4.50%) |
| Total OPEB Liability | \$ 13,443,013 | \$ 11,355,167 | \$ 9,698,461 |

OPEB Expense and deferred outflows of resources and deferred inflows of resources related to OPEB

The following table provides a summary of the deferred outflows of resources and deferred inflows of resources as of June 30, 2020.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 30,819 | \$ 668,786 |
| Changes of assumptions or other inputs | 556,963 | 1,941,556 |
| Employer contributions subsequent to the measurement date | <u>202,152</u> | <u>-</u> |
| Total | \$ <u>789,934</u> | \$ <u>2,610,342</u> |

Contributions paid subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to GPTC-OPEB benefits will be recognized in OPEB Expense as follows:

| Year Ended | |
|----------------------------|--------------|
| Year ended June 30: | |
| 2021 | \$ (492,389) |
| 2022 | \$ (492,389) |
| 2023 | \$ (492,389) |
| 2024 | \$ (388,859) |
| 2025 | \$ (145,782) |
| Thereafter | \$ (10,752) |

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

The calculation of the OPEB expense for the year ended June 30, 2020 is shown in the following table:

| | | |
|--|----|---------------------------|
| Service cost at end of year* | \$ | 881,442 |
| Interest on the total OPEB liability | | 601,555 |
| Current-period benefit changes | | (5,405,939) |
| Expensed portion of current-period difference between expected and actual experience in the total OPEB liability | | (118,864) |
| Expensed portion of current-period changes of assumptions or other inputs | | 99,993 |
| Recognition of beginning deferred outflows of resources as OPEB expense | | 6,685 |
| Recognition of beginning deferred inflows of resources as OPEB expense | | <u>(480,203)</u> |
| OPEB Expense | \$ | <u><u>(4,415,331)</u></u> |

*the service cost includes interest for the year

NOTE 15: NONMONETARY TRANSACTIONS

During the years ended June 30, 2020 and June 30, 2019 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 for 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 2020</u> | <u>In-Kind Contribution 2019</u> |
|---|---------------------|--|--|
| Georgia Southern University (Armstrong Campus) | WSVH-FM | \$ 54,128 | \$ 52,919 |
| Augusta University | WACG-FM | 3,499 | 7,254 |
| Mercer University | WMUM-FM | 56,190 | 55,310 |
| University of Georgia | WUGA-FM | <u>1,044,842</u> | <u>1,004,219</u> |
| Total In-Kind Contributions | | <u>\$ 1,158,659</u> | <u>\$ 1,119,702</u> |

NOTE 16: CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2020(with summarized comparative information for the year ended June 30, 2019)

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, 2020.

NOTE 17: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS***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

The FCC began the process of inviting stations to enter the reverse auction at the end of 2015 and the actual auction started on March 29, 2016. The Commission entered two stations into the reverse auction, WJSP TV (Columbus) and WNGH TV (Rome). 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 winning stations with compensation were WJSP TV (\$7,267,147) and WNGH TV (\$11,949,966), a total of \$19,217,113. This revenue was received and recorded in fiscal year 2019. A portion of the proceeds were, and will be, expended on repacking these TV stations.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

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 must repack 7 of its 9 TV stations and 1 FM station within the following timeline and costs. (Costs are estimated and subject to change).

| Phase | Station | Estimated Costs | Testing Period | Phase Completion |
|-------|---------|---------------------|----------------|------------------|
| 1 | WJSP | \$ 2,786,760 | 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 | 1,504,705 | 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 TV | 1,619,280 | 3/14/2020 | 5/1/2020 |
| 9 | WVAN | 329,293 | 3/14/2020 | 5/1/2020 |
| 9 | WXGA | 332,217 | 3/14/2020 | 5/1/2020 |
| 10 | WACS | 1,459,852 | 5/2/2020 | 7/3/2020 |
| 10 | WGTV | 1,595,280 | 5/2/2020 | 7/3/2020 |
| 10 | WMUM-FM | 156,959 | 5/2/2020 | 7/3/2020 |
| | | \$ <u>9,784,346</u> | | |

Repacking includes modifying our facilities to transmit on a different frequency and can include tower modifications, antennas, transmitters, measurement analysis and engineering work, for example. The Commission will use the FCC proceeds from the reverse auction to cover all repacking costs associated with WJSP TV and WNGH TV. The other 6 stations should be fully reimbursed by the FCC however, this assumes they will have enough funds to cover all the stations nationwide that are mandated to repack over the 39-month period. The Commission will use its auction proceeds to cover any unfunded reimbursement from the FCC. At the time of publication, all stations except for WACS and WGTV were repacked.

Public Broadcast Service (PBS) Translator Relocation Program

As a result of the Federal Communications Commission’s (FCC) Incentive Auction and subsequent spectrum repacking, TV Translator and Low Power Television (LPTV) stations will be displaced from channels 38-51. Translators may also be displaced by full power and Class A television stations moving to new channels within the new TV Broadcasting Core Spectrum Channels 2-36. Therefore, many translators carrying public television content will be displaced from their current channels and will need to be relocated to new RF channels.

On June 26, 2017, PBS was awarded a grant from T-Mobile to provide funding to enable public television translators, including those translators that are not licensed to Public Television stations but do carry public television content, to move to new displacement channels regardless of the reason for displacement. T-Mobile agreed to cover reasonable costs for retuning existing equipment, the purchase and installation of required new equipment (where necessary), and engineering and legal fees necessary to effectuate the required FCC applications. This funding will ensure that public television translators are able to continue their operations.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

The Commission, as a qualified applicant, was approved for a grant during fiscal year 2020 for four of its translator locations for a maximum amount of \$578,017. The original term of the grant was extended due to extenuating circumstances around the COVID-19 pandemic. Eligible reimbursable expenditures include new antennas, transmitters and transmission lines, engineering and legal fees, tower replacement and other transmission equipment. As a result of the auction, the Commission has four displacement eligible stations with the following completion dates and costs. (Costs are estimated and subject to change).

| <u>Station</u> | <u>Estimated Costs</u> | <u>Completion</u> |
|----------------------|----------------------------|-------------------|
| W0EG-D Toccoa | \$ 526,994 | 11/30/2020 |
| W11DD-D Hartwell | 777,763 | 12/31/2020 |
| W12DK-D Young Harris | 146,304 | 12/31/2020 |
| W13DJ-D Carrollton | 153,199 | 9/30/2020 |
| | <u>\$ 1,604,260</u> | |

These estimated costs include unforeseen tower work at the Toccoa and Hartwell sites that were not originally projected. All public media stations submitted revised budget estimates and timelines to PBS in September 2020 which they will be evaluated to determine final grant allocations and grant extensions. The Commission will use its auction proceeds to cover any unfunded reimbursement from PBS.

NOTE 18: 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 2021 are:

| | |
|---|-----------|
| Replace two generators at GPTC’s headquarters | \$350,000 |
| Replace and upgrade the Emergency Alert System (EAS) at all FM transmission sites | \$130,000 |

General obligation five-year taxable bonds for these projects were sold on July 31 2020. 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 2022 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.

REQUIRED SUPPLEMENTARY INFORMATION

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
GPTC's POST-EMPLOYMENT HEALTH BENEFIT PLAN
JUNE 30, 2020

SCHEDULE "1"

| | 2020 | 2019 | 2018 |
|--|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | |
| Service Cost at end of year | \$ 881,442 | \$ 968,119 | \$ 1,082,723 |
| Interest | 601,555 | 557,453 | 483,452 |
| Changes in benefit terms | (5,405,939) | - | - |
| Difference between expected and actual experience | (780,934) | 44,189 | (12,296) |
| Changes of assumptions or other inputs | 656,956 | (1,419,412) | (1,742,436) |
| Benefit payments and implicit subsidy credit | (281,285) | (249,364) | (179,824) |
| Net changes in Total OPEB Liability | (4,328,205) | (99,015) | (368,381) |
| Total OPEB Liability - beginning | 15,683,372 | 15,782,387 | 16,150,768 |
| | | | |
| Total OPEB Liability - ending | \$ 11,355,167 | \$ 15,683,372 | \$ 15,782,387 |
| | | | |
| Commission's covered payroll | \$ 8,536,794 | \$ 7,639,554 | \$ 7,639,554 |
| | | | |
| Total OPEB Liability as a percentage of covered payroll | 133.01% | 205.29% | 206.59% |

Note: No assets are accumulated in a trust that meet the criteria to pay related benefits.

Change in benefit terms: Upon eligibility for Medicare, coverage is now provided via a Medicare Advantage plan.

Changes in assumptions: Discount rate 3.50% per annum, compounded annually. Health care cost trend rate assumptions:

| | Pre-65 Retiree Claims Trend | Post-65 Retiree Claims Trend |
|-----------------|--------------------------------|---------------------------------|
| 2019 | 7.00% | 5.25% |
| 2020 | 6.75% | 5.13% |
| 2021 | 6.50% | 5.00% |
| 2022 | 6.25% | 4.75% |
| 2023 | 6.00% | 4.50% |
| 2024 | 5.75% | 4.50% |
| 2025 | 5.50% | 4.50% |
| 2026 | 5.25% | 4.50% |
| 2027 | 5.00% | 4.50% |
| 2028 | 4.75% | 4.50% |
| 2029 and beyond | 4.50% | 4.50% |

This schedule is intended to show information for 10 years. Additional years will be added as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET SEAD-OPEB ASSET
EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2020

SCHEDULE "2"

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|
| Employer's proportion of the net OPEB asset | 0.195157% | 0.186089% | 0.207716% |
| Employer's proportionate share of the net OPEB asset | \$ 551,836 | \$ 503,642 | \$ 539,864 |
| Employer's covered payroll | \$ 2,491,840 | \$ 2,576,156 | \$ 3,024,890 |
| Employer's proportionate share of the net OPEB asset as a percentage of its covered payroll | 22.15% | 19.55% | 17.85% |
| Plan fiduciary net position as a percentage of the total OPEB asset | 129.73% | 129.46% | 130.17% |

This schedule is intended to show information for 10 years. Additional years will be added as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF CONTRIBUTIONS SEAD-OPEB
EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2020

SCHEDULE "3"

| | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| Contractually required contribution * | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Covered payroll | \$ 2,377,364 | \$ 2,491,840 | \$ 2,576,156 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% |

* Employer contributions are not currently required for the SEAD-OPEB plan.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
JUNE 30, 2020

SCHEDULE "4"

| | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | | <u>2017</u> | | <u>2016</u> | | <u>2015</u> |
|--|---------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| Employer's proportion of the net pension liability | 0.303758% | | 0.288566% | | 0.316308% | | 0.301857% | | 0.277984% | | 0.255447% |
| Employer's proportionate share of the net pension liability | \$ 12,534,668 | \$ | 11,863,043 | \$ | 12,846,328 | \$ | 14,279,104 | \$ | 11,262,238 | \$ | 9,580,841 |
| Employer's covered payroll | \$ 8,369,318 | \$ | 8,025,859 | \$ | 8,409,681 | \$ | 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 | 149.77% | | 147.81% | | 152.76% | | 188.60% | | 163.52% | | 153.22% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.74% | | 76.68% | | 76.33% | | 72.34% | | 76.20% | | 77.99% |

This schedule is intended to show information for 10 years. Additional years will be added as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
JUNE 30, 2020

SCHEDULE "5"

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Employer's proportion of the net pension liability | 0.001933% | 0.001837% | 0.001419% | 0.001938% | 0.001538% | 0.001603% |
| Employer's proportionate share of the net pension liability | \$ 415,647 | \$ 340,987 | \$ 263,726 | \$ 399,831 | \$ 234,145 | \$ 202,518 |
| Employer's covered payroll | \$ 235,960 | \$ 218,815 | \$ 165,129 | \$ 212,600 | \$ 162,373 | \$ 163,542 |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | 176.15% | 155.83% | 159.71% | 188.07% | 144.20% | 123.83% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.56% | 80.27% | 79.33% | 76.06% | 81.44% | 84.03% |

This schedule is intended to show information for 10 years. Additional years will be added as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
JUNE 30, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 1,869,829 | \$ 1,897,360 | \$ 1,826,103 | \$ 1,924,905 | \$ 1,734,997 | \$ 1,395,723 | \$ 1,061,780 | \$ 869,671 | \$ 709,042 | \$ 643,416 |
| Contributions in relation to the contractually required contribution | 1,869,829 | 1,897,360 | 1,826,103 | 1,924,905 | 1,734,997 | 1,395,723 | 1,061,780 | 869,671 | 709,042 | 643,416 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 8,308,833 | \$ 8,369,318 | \$ 8,025,859 | \$ 8,409,681 | \$ 7,571,004 | \$ 6,887,434 | \$ 6,252,863 | \$ 6,419,534 | \$ 7,009,521 | \$ 6,918,493 |
| Contributions as a percentage of covered payroll | 22.50% | 22.67% | 22.75% | 22.89% | 22.92% | 20.26% | 16.98% | 13.55% | 10.12% | 9.30% |

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 JUNE 30, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 46,149 | \$ 49,316 | \$ 36,783 | \$ 23,258 | \$ 30,338 | \$ 21,352 | \$ 20,083 | \$ 18,444 | \$ 16,618 | \$ 22,259 |
| Contributions in relation to the contractually required contribution | 46,149 | 49,316 | 36,783 | 23,258 | 30,338 | 21,352 | 20,083 | 18,444 | 16,618 | 22,259 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 218,299 | \$ 235,960 | \$ 218,815 | \$ 165,129 | \$ 212,600 | \$ 162,373 | \$ 163,542 | \$ 161,652 | \$ 161,652 | \$ 216,552 |
| Contributions as a percentage of covered payroll | 21.14% | 20.90% | 16.81% | 14.08% | 14.27% | 13.15% | 12.28% | 11.41% | 10.28% | 10.28% |

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.

On March 15, 2018, the Board adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

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).

On May 15, 2019, the Board adopted recommended changes from the smoothed valuation interest rate methodology that has been in effect since June 30, 2009, to a constant interest rate method. In conjunction with the methodology, the long-term assumed rate of return in assets (discount rate) has been changed from 7.50% to 7.25%, and the assumed annual rate of inflation has been reduced from 2.75% to 2.50%.

SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDED JUNE 30, 2020

SCHEDULE "9"

| | Original Budget | Final Budget | Actual Amounts (Budgetary Basis) | Variance |
|---|----------------------|----------------------|-------------------------------------|---------------------------|
| Funds Available | | | | |
| Revenues | | | | |
| Other Revenues Retained | \$ <u>36,971,120</u> | \$ <u>37,691,125</u> | \$ 36,107,133 | \$ (1,583,992) |
| Expenditures | | | | |
| Culture And Education | \$ <u>36,971,120</u> | \$ <u>37,691,125</u> | 37,237,148 | 453,977 |
| Excess of Funds Available over Expenditures | | | \$ <u>(1,130,015)</u> | \$ <u>(1,130,015)</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" | \$ 36,107,133 |
| 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>(12,510)</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund and Special Revenue Funds (Exhibit "D") | <u>\$ 36,094,623</u> |

Uses/outflows for resources

| | |
|--|----------------------|
| Actual amounts (budgetary basis) "expenditures" | \$ 37,237,148 |
| 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. | (219,693) |
| For budget purposes, encumbrances are reported as expenditures in the year purchase orders are issued but are expensed when invoiced for financial reporting purposes. | 423,040 |
| For budget purposes, expenditures in the Foundation are non-budgetary. | <u>124,633</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund and Special Revenue Funds (Exhibit "D") | <u>\$ 37,565,128</u> |

See notes to the financial statements.

CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting (CPB) is the steward of the federal government's investment in public media and supports the operations of nearly 1,500 locally owned and operated public television and radio stations. CPB is a private nonprofit corporation created and funded by the federal government. CPB does not produce or distribute programs, nor does it own, control or operate any broadcast stations.

CPB distributes community service grants (CSGs) to qualifying, noncommercial public television and radio stations that provide significant public service programming to their communities. CSGs are used to augment the resources of public broadcasting entities. In order to maintain any CPB funding, GPTC must meet a variety of legal, managerial, staffing, mandatory reporting and operational criteria on an annual basis.

GPTC is currently eligible to receive funding for three CPB grantees: TV, WJSP-FM and WUGA-FM. Each grantee is required to file an Annual Financial Report (AFR) that reflects the revenue and expense activity attributable to the operations of GPTC. CPB's Financial Reporting Guidelines for Preparing the AFR require that all grantees include a supplemental schedule that shows the discrete information for each grantee that is consolidated in the audit.

SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

INDEPENDENT AUDITOR'S 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

The Honorable Brian P. Kemp, 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Georgia Public Telecommunications Commission (Commission), a component unit of the State of Georgia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 10, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin
State Auditor

December 10, 2020