Fiscal Year 2019

George L. Smith, II Georgia World Congress Center Authority

A Component Unit of the State of Georgia

Audit Report

For the Fiscal Year Ended June 30, 2019

Department of Audits and Accounts

Greg S. Griffin
State Auditor

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the George L. Smith, II
Georgia World Congress Center Authority
and
Mr. Frank Poe, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the George L. Smith II, Georgia World Congress Center Authority (Authority), a component unit of the State of Georgia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the business-type activities and the aggregate remaining fund information of the Authority as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of the Authority'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 Authority'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 Authority'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

November 8, 2019

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The following is a discussion and analysis of the George L. Smith, II Georgia World Congress Center Authority's (Authority) financial performance, providing an overview of the activities for the fiscal year which ended June 30, 2019 and comparing them to fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should review it in conjunction with the Authority's basic financial statements, which follow this section, and include notes to the financial statements to enhance their understanding of the Authority's financial performance.

During the period of review, the Authority continued to manage the activities of the Georgia World Congress Center (GWCC), Centennial Olympic Park (COP), and the Savannah Convention Center, each generating significant regional economic impact by serving as host to conventions, tradeshows, sporting events, entertainment, and other special events. During fiscal year 2019, renovations and new features were added to Centennial Olympic Park. In July 2018, construction began on a new 100,000-square-foot exhibit hall between Buildings B and C; it is scheduled for completion during fiscal year 2020.

HIGHLIGHTS

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2019 are as follows:

- The Authority's total net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) was $1.5 billion on June 30, 2019. Of this amount, $47.9 million represents deficit net position and $1.6 billion represents its investment in capital assets. A positive balance in unrestricted net position would represent the amount available to meet the Authority's ongoing obligations.
- The Authority's net position decreased by $89.5 million primarily because of depreciation on the new stadium.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are reported as a special purpose governmental entity (component unit of the State of Georgia) engaged in business-type activities and are comprised of financial statements for proprietary (enterprise) funds which provide both a short-term and long-term view of the Authority's financial activities and financial position. The Authority uses fund accounting to reflect results of operations and to ensure and demonstrate compliance with financial-related legal requirements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

Proprietary Fund

The Authority uses an Enterprise Fund, a type of Proprietary Fund, to account for activities of the GWCC and COP. Enterprise Funds utilize accrual accounting, the same method used by private sector businesses and report activities that provide supplies and services to the general public. The basic Proprietary Funds financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the financial position of the Authority as a whole, including long-term liabilities on the full accrual basis. The Statement of Revenues, Expenses and Changes in Net Position provides information about all revenues and expenses. The Statement of Cash Flows provides information about cash activities for the fiscal period. These statements can be found on pages 10-15 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 17-41 of this report.

Financial Analysis of the Authority as a Whole

The Authority's net position on June 30, 2019 and June 30, 2018 is as follows:

	Fiscal Year 2019	Fiscal Year 2018	Increase/ (Decrease)	Total % Change
Other Assets	$ 138,576,425	$ 222,817,100	$ (84,240,675)	(37.8)%
Capital Assets (Net of Depreciation)	1,570,549,248	1,651,225,243	(80,675,995)	(4.9)%
Total Assets	1,709,125,673	1,874,042,343	(164,916,670)	(8.8)%
Deferred Outflows of Resources	6,672,657	4,875,500	1,797,157	36.9%
Other Liabilities	29,593,380	61,303,070	(31,709,690)	(51.7)%
Long-Term Liabilities	138,004,719	185,440,877	(47,436,158)	(25.6)%
Total Liabilities	167,598,099	246,743,947	(79,145,848)	(32.1)%
Deferred Inflows of Resources	8,244,607	2,676,189	5,568,418	208.1%
Investment in Capital Assets	1,570,549,248	1,651,225,243	(80,675,995)	(4.9)%
Restricted	17,352,822	28,496,571	(11,143,749)	(39.1)%
Unrestricted (Deficit)	(47,946,446)	(50,224,107)	2,277,661	4.5%
Total Net Position	$ 1,539,955,624	$ 1,629,497,707	$ (89,542,083)	(5.5)%

Other assets decreased by $84.2 million mostly from the transfer of PSL cash to MBS ($41.8 million) and a reduction in net PSL receivable ($28.4 million). Capital assets decreased when compared to prior year due to depreciation for Mercedes-Benz Stadium (MBS). Long-term liabilities decreased by $47.4 million due to the decrease in payable to MBS ($40.4 million) and a decrease in OPEB/pension liability ($6.1 million). Total net position for the Authority decreased during the fiscal year to $1.5 billion. This decrease of $89.5 million was directly related to depreciation on the stadium ($101.6 million). The Authority's unrestricted net position increased by $2.3 million due to a net operating income of $2.5 million.

The following is a summary of Revenues, Expenses and Changes in Net Position for fiscal year 2019 compared to fiscal year 2018:

Change in Net Position

	Fiscal Year 2019	Fiscal Year 2018	Increase/ (Decrease)	Total % Change
Operating Revenue	$ 65,971,700	$ 54,714,610	$ 11,257,090	20.6%
Operating Expenses	167,563,637	146,913,761	20,649,875	14.1%
Operating Loss	(101,591,937)	(92,199,152)	(9,392,785)	10.2%
Nonoperating Revenue/(Expenses) Net	5,260,004	16,078,813	(10,818,809)	(67.3)%
Income Before Capital Contributions	(96,331,933)	(76,120,339)	(20,211,594)	(26.6)%
Capital Contributions	6,789,849	184,568,219	(177,778,370)	(96.3)%
Change in Net Position	(89,542,084)	108,447,880	(197,989,964)	(182.6)%
Net Position, July 1	1,629,497,707	1,521,049,827	108,447,880	7.1%
Total Net Position, June 30	$ 1,539,955,624	$ 1,629,497,707	$ (89,542,084)	(5.5)%

The Authority had an operating loss of $101.6 million for the fiscal year. This loss is directly related to the MBS depreciation of $101.6 million. Operating revenues were $66 million for the fiscal year ended June 30, 2019, which is an increase of $11.3 million or 20.6% from the previous year. This is a result of increased revenue for Space Rental ($1.4 million), Utility Services ($3.1 million), Parking ($1.4 million) and Catering ($4.4 million).

Operating expenses include personal services, professional services, contractual fees, utilities, event costs, depreciation, and other miscellaneous expenses. Operating expenses for the fiscal year ended June 30, 2019 were $167.6 million, which is an increase of $20.6 million or 14.1%, over the prior year. A majority of this increase was in depreciation ($18.0 million).

During fiscal year 2019, non-operating revenues/expenses (net) of $5.3 million were 67.3% or $10.8 million lower than 2018. MBS submitted requests for reimbursement of expenses that exceeded the current year revenue.

The Authority also recognized capital contributions of $6.8 million during fiscal year 2019, which is an adjustment to the overall cost of construction of the stadium.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets as of June 30, 2019 totaled $1.8 billion, with accumulated depreciation of $219.6 million for a net book value of $1.6 billion, a $80.7 million decrease over fiscal year 2018. The decrease in capital assets resulted from the first full year of depreciation for MBS. Investments in capital assets include land, buildings, improvements, construction in progress, and equipment. Depreciation expenses related to the capital assets for the year totaled $104.1 million. It should be noted that land for MBS and land and buildings for GWCC are owned by the Department of Economic Development and are therefore reflected on the State of Georgia's financial statements. Additional information on the Authority's capital assets can be found in Note 6 on page 25 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 220-acre campus of the Authority serves as an economic catalyst for the community, generating economic benefits to the citizens of the state, as well as enhancing the overall quality of life for every Georgian.

An estimated 4.1 million visitors attended events at the GWCC, Mercedes-Benz Stadium and Centennial Olympic Park during fiscal year 2019. According to a Georgia State University economic impact study performed by Peter Bluestone, senior research associate, those visitors generated an estimated economic impact of almost $2.0 billion. Trade shows, conventions, and sporting events also helped generate an estimated $192.1 million in tax revenues for the state and local governments. Additionally, the Authority bolstered the region’s economy by creating 20,174 jobs and contributed $660.5 million in additional labor income.

Fiscal year 2019 was an excellent year for the Authority. The GWCC hosted 184 events including 44 conferences/conventions, 26 tradeshows, 22 sporting competitions, and 16 public/consumer events. Some of the year’s larger events included the Atlanta International Auto Show, CHEERSPORT, AHR Expo, Fabtech, and International Production and Processing Exposition (IPPE). Mercedes-Benz Stadium hosted 72 events in fiscal year 2019, including 41 professional sporting events including Superbowl LIII, 11 amateur sporting events, and concerts featuring Taylor Swift, Beyoncé and Jay Z, Ed Sheeran, and George Strait. Centennial Olympic Park hosted its annual July 4th celebration and Sweetwater 420 Fest.

The Authority made several notable accomplishments in fiscal year 2019:

- Completed capital improvements to Centennial Olympic Park, including:
  - West Lawn Promenade: additional green space, showcases Park’s ties to Olympics,
  - Fountain of Rings Plaza: raised to plaza level and added “The Spectacular” feature,
  - Southern Company Amphitheater: new infrastructure upgrades,
  - Unity Plaza: new entry point with water feature and permanent home for Androgyne planet sculpture, and
  - Paralympic Plaza: new access point and greenspace honoring athletes who participated in 1996 Atlanta Paralympic Games.
- Continued construction on Exhibit Hall BC (formerly Contiguous Exhibition Facility) project to produce a fixed gateway between buildings B and C that will create over one million square feet of contiguous exhibition space
- Continued construction on Orange Parking Deck which will provide an additional 544 parking spaces and 12 electric vehicle charging stations
- Tripled customer survey responses from fiscal year 2018 and achieved an aggregate guest satisfaction score of 4.53 (on a 1-5 scale) from planners, exhibitors, and attendees.

The 220-acre campus of the Georgia World Congress Center Authority is committed to fulfilling its mission to serve the state of Georgia as an economic generator driving tourism while creating compelling guests experiences to everyone, every day.

The Authority adopts an operating budget, which is approved by its board of directors in May of each year for the subsequent year. The Authority's fiscal year 2020 operating budget includes operating revenue of $60.6 million and operating expenses of $58.2 million, excluding depreciation. This budget reflects GWCC and Centennial Olympic Park operations.

The Authority is not aware of any facts, decisions, or conditions that will have a significant impact on the financial condition during next year's fiscal year beyond those unforeseen situations that will have the same global effect on virtually all types of business operations.

BASIC FINANCIAL STATEMENTS

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2019

EXHIBIT "A"

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 26,181,444.95
Accounts Receivable	
Customers	14,514,311.49
Hotel/Motel Tax	3,069,815.08
Prepaid Items	115,439.87
Inventories	377,495.94
Total Current Assets	44,258,507.33
Noncurrent Assets	
Restricted	
Cash and Cash Equivalents	
Personal Seat Licenses (PSLs)	27,038.80
Hotel/Motel Tax - Mercedes Benz Stadium	15,971,147.61
Capital Campaign	1,199,493.38
Accounts Receivable - PSLs	105,930,868.11
Allowance for Doubtful Accounts	(30,105,390.23)
Net OPEB Asset	1,294,760.00
Total Restricted Assets	94,317,917.67
Capital Assets	
Land and Land Improvements	66,382,613.00
Construction In Progress	7,173,616.19
Building and Building Improvements	1,622,389,184.00
Less: Accumulated Depreciation	(176,335,633.66)
Improvements other than Buildings	51,360,033.63
Less: Accumulated Depreciation	(21,694,748.62)
Equipment	42,824,545.46
Less: Accumulated Depreciation	(21,550,362.15)
Capital Assets (Net of Accumulated Depreciation)	1,570,549,247.85
Total Noncurrent Assets	1,664,867,165.52
TOTAL ASSETS	1,709,125,672.85
DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows of Resources Related to Pensions	6,412,898.44
Deferred Outflows of Resources Related to OPEB	259,759.00
Total Deferred Outflows of Resources	6,672,657.44

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

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2019

LIABILITIES	
Current Liabilities	
Accounts Payable	
Vendors	$ 7,119,773.51
Hotel/Motel Tax	2,441,768.07
Accrued Payroll/Payroll Withholdings	91,307.17
Compensated Absences	222,876.10
Unearned Revenue	5,425,065.74
Installment Purchase Agreement	1,111,216.43
Total Current Liabilities	16,412,007.02
Current Liabilities Payable from Restricted Assets	
Accounts Payable - Capital Campaign	1,173,352.88
Accounts Payable - Mercedes Benz Stadium	12,008,020.51
Total Current Liabilities from Restricted Assets	13,181,373.39
Noncurrent Liabilities	
Compensated Absences	1,675,731.43
Net OPEB Liability	21,255,239.00
Net Pension Liability	24,815,797.99
Customer Deposits Payable	10,000.00
Accounts Payable - MBS	63,844,496.17
Installment Purchase Agreement	26,403,454.46
Total Noncurrent Liabilities	138,004,719.05
TOTAL LIABILITIES	167,598,099.46
DEFERRED INFLOWS of RESOURCES	
Deferred Inflows of Resources Related to Pensions	2,935,848.00
Deferred Inflows of Resources Related to OPEB	5,308,759.00
Total Deferred Inflows of Resources	8,244,607.00
NET POSITION	
Investment in Capital Assets	1,570,549,247.85
Restricted for:	
Maintenance of Art	60,773.46
Mercedes Benz Stadium	15,971,147.61
Capital Campaign	26,140.50
Net OPEB Asset	1,294,760.00
Unrestricted (Deficit)	(47,946,445.59)
Total Net Position	$ 1,539,955,623.83

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

GEORGE L. SMITH, II

GEORGIA WORLD CONGRESS CENTER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS - ENTERPRISE FUNDS

JUNE 30, 2019

EXHIBIT "B"

OPERATING REVENUES		
Space Rental	$	15,131,809.62
Rental - Equipment		224,975.65
Utility Services		11,691,218.35
Parking		10,425,875.41
Catering		10,098,016.39
Contributed Equipment		1,598,478.31
Advertising		1,914,445.98
Contract Labor		3,933,090.79
Telecommunications		1,566,550.53
Cancellation Fee		89,391.40
Contract Services - Savannah		4,339,496.57
Stadium License Fee		2,575,500.00
Miscellaneous		2,382,850.59
Total Operating Revenue		65,971,699.59
OPERATING EXPENSES		
Personnel Services		33,954,951.44
Other Post-employment Benefits (OPEB)		916,113.00
Regular Operating Expenses		23,259,081.81
Equipment/Computer		3,522,863.67
Professional Services		752,426.22
Other		507,447.92
Special Projects/Capital Outlay		590,547.68
Total Operating Expenses		63,503,431.74
Operating Profit Before Depreciation		2,468,267.85
Depreciation Expense		104,060,204.79
Operating Loss		(101,591,936.94)
NONOPERATING REVENUES (EXPENSES)		
Hotel and Motel Tax (net)	$	7,188,266.35
Hotel and Motel Tax (Mercedes Benz Stadium)		14,717,231.97
Investment Income		368,304.61
Vendor's Compensation on Sales Tax Collections		545.21
Gain on Capital Asset Disposals		31,713.63
Capital Campaign Revenue		562,068.92
Capital Campaign Expense		(242,506.43)
Bond Money Revenue		
Georgia State Financing and Investment Commission		5,080,829.17
Transfer of Asset		(2,080,829.17)
Mercedes Benz Stadium Expense		(27,703,216.96)
PSL Interest Revenue		7,337,597.00
Total Nonoperating Revenues (Expenses)		5,260,004.30
Loss Before Capital Contributions		(96,331,932.64)
Capital Contributions		6,789,849.00
Change in Net Position		(89,542,083.64)
NET POSITION, JULY 1		1,629,497,707.47
NET POSITION, JUNE 30	$	1,539,955,623.83

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

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 58,756,943.53
Cash Paid to Vendors	(31,850,637.55)
Cash Paid to Employees	(33,853,784.59)
Net Cash Used In Operating Activities	(6,947,478.61)
CASH FLOWS FROM NONCAPITAL FINANCING	
Hotel and Motel Tax Received	34,222,087.16
Hotel and Motel Tax Distributed	(27,088,823.23)
Vendor's Compensation on Sales Tax Collections	545.21
Net Cash Provided by Noncapital Financing Activities	7,133,809.14
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Hotel and Motel Tax Received - Dedicated to MBS	14,717,231.97
Hotel and Motel Tax Expenses - MBS	(23,901,161.45)
Proceeds from Capital Campaign and Bond money for Park Renovations	3,554,220.00
Capital Campaign Expenses	(242,506.43)
Proceeds from Personal Seat License Fees	2,091,261.02
MBS Stadium Expenses	(43,936,025.01)
Acquisition and Construction of Capital Assets	(16,268,228.11)
Net Cash Used In Capital and Related Financing Activities	(63,985,208.01)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	376,153.53
Net Cash Provided By Investing Activities	376,153.53
Net Decrease in Cash and Cash Equivalents	(63,422,723.95)
CASH AND CASH EQUIVALENTS - JULY 1	106,801,848.69
CASH AND CASH EQUIVALENTS - JUNE 30	$ 43,379,124.74
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating (Loss)	$ (101,591,936.94)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Provided By (Used In) Operating Activities:	
Depreciation	104,060,204.79
Contract with Levy Restaurants	
for Equipment Purchases	(543,838.65)
Changes in Assets and Liabilities:	
Accounts Receivable	(7,761,246.89)
Prepaid Items	8,296.46
Inventories	(84,405.52)
Unearned Revenues	972,371.62
Net OPEB Liability	(3,115,958.00)
Net OPEB Asset	165,987.00
Net Pension Liability	(2,984,934.00)
All Other Liabilities	156,720.52
Changes in Deferred Inflows/Outflows of Resources	
Deferred Inflows of Resources	5,568,418.00
Deferred Outflows of Resources	(1,797,157.00)
Total Adjustments	$ 94,644,458.33
Net Cash Provided By Used In Operating Activities	$ (6,947,478.61)
Noncash Investing, Capital and Financing Activities	
Increase in Capital Contributions	$ 6,789,849.00
Increase and Decrease in PSL Receipts and Payments	22,884,883.00

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

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2019

EXHIBIT "D"

	OPEB TRUST FUND
ASSETS	
Current Assets	
Investments, at Fair Value	$ 4,832,986.20
Cash and Cash Equivalents	88,017.94
Total Assets	4,921,004.14
LIABILITIES	
Current Liabilities	
Benefits Payable	376,163.52
Total Liabilities	376,163.52
NET POSITION	
Net Position:	
Restricted for:	
OPEB Benefits	4,544,840.62
Total Net Position	$ 4,544,840.62

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

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2019

EXHIBIT "E"

		OPEB TRUST FUND
ADDITIONS		
Contributions - Employer	$	400,000.00
Interest Earned		217,335.60
Net Appreciation (Depreciation) in		
Investments Reported at Fair Value		56,061.96
Less: Investment Expense		(36,726.62)
Total Additions		636,670.94
DEDUCTIONS		
Benefits		376,163.52
Administrative Expense		32,847.51
Total Deductions		409,011.03
Net increase in Net Position Restricted for:		
Other Employee Benefits		227,659.91
Net Position, July 1		4,317,180.71
Net Position, June 30	$	4,544,840.62

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The George L. Smith, II Georgia World Congress Center Authority (the Authority) reports its financial position and the results of its operations under accounting principles generally accepted in the United States of America for a special purpose government (component unit of the State of Georgia) engaged in business-type activities.

B. Reporting Entity

The Authority is an instrumentality of the State of Georgia and a public corporation created for the purposes of operating and maintaining a comprehensive international trade and convention center consisting of a complex of facilities suitable for multipurpose use. The management of the business and affairs of the Authority is vested in a Board of Governors. The Official Code of Georgia Annotated (OCGA) Section 10-9-6 provides that the Board of Governors consist of fifteen (15) members appointed by the Governor. The Authority is considered a component unit of the State of Georgia for financial reporting purposes because of the significance of its legal, operational and financial relationships with the State of Georgia. These reporting entity relationships are defined in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards.

Proprietary Fund - Enterprise Fund
The Authority accounts for its activities as an enterprise fund for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

The Authority reports activity associated with operations of the Georgia World Congress Center and Centennial Olympic Park. The Authority entered into a contract to manage the operations of the Savannah International Trade and Convention Center beginning on April 1, 2014. Beginning fiscal year 2015, construction related activities for the Mercedes Benz Stadium (MBS) were reflected in this fund. Personal seat licenses (PSL) sold prior to substantial completion of the stadium are considered public contribution. The payments collected for the PSLs are paid or owed to AMB Sports + Entertainment (AMB) for construction related debt or for ongoing operating expenses. In addition, the Authority is the custodian of hotel motel taxes allocated to the new stadium for ongoing repairs, maintenance and capital improvement.

Fiduciary Fund – Other Post-Employment Benefit Trust Fund (OPEB)
The OPEB Trust fund is used to report the accumulation of resources for, and payment of other post-employment benefits.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types 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.

The OPEB Trust reports plan assets and net position, as well as investment income and appreciation and its related administrative expenses from the pre-funding contributions made by the Authority. The OPEB Trust is reported using the same basis of accounting as the proprietary fund. The OPEB Trust is reported using the accrual basis of accounting.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents
Cash and Cash Equivalents include currency on hand, demand deposits with banks and other financial institutions, and the State investment pool that has the general characteristics of demand deposit accounts in that the Authority may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty. Cash and Cash Equivalents also include short-term, highly liquid investments with maturities of three months or less from the date of acquisition. The aforementioned definitions were applied in the preparation of the Statement of Cash Flows.

The State investment pool (Georgia Fund 1) is an external investment pool that is not registered with the Securities and Exchange Commission (SEC) and does not operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The State of Georgia's Office of the State Treasurer (OST) manages Georgia Fund 1 in accordance with policies and procedures established by State law and the State Depository Board, the oversight Board for OST. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the Authority's investment in the Georgia Fund 1 is reported at fair value

The Authority does not have any risk exposure related to investments in derivatives or similar investments in Georgia Fund 1 as the investment policy of OST does not provide for investments in derivatives or similar investments through the Georgia Fund 1.

Investments
Investments are defined as those financial instruments with terms in excess of three months from the date of purchase. Investments are stated at fair value.

The Authority may invest regular funds in U. S. Government securities, certificates of deposit and repurchase agreements. In accordance with GASB No. 74, OPEB Trust plan investments, whether equity or debt securities, real estate, or other investments, are reported at their fair value at the reporting date. The fair value of an investment is the amount that the plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller. Fair value is measured by the market price if there is an active market for the investment.

Accounts Receivable
Accounts receivable arising from operations are reported at gross value. Based on management's evaluation that amounts uncollectible are not material, no provision has been made for such amounts.

Prepaid Items
Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items.

Inventories
Supply inventories are valued at cost, using the first-in/first-out (FIFO) method. These expendable supplies are recorded as inventories at the time of purchase and are recorded as expense based on consumption.

Restricted Assets
Restricted assets include personal seat licenses (PSL) sold for the MBS which opened in August 2017, hotel/motel tax funding reserved for operations and maintenance of the new stadium and capital campaign contributions restricted for renovations of Centennial Olympic Park.

Capital Assets
Capital assets, which include property, plant and equipment, are recorded in the Statement of Net Position at historical cost. Donated capital assets are recorded at acquisition value on the date donated and disposals are deleted at recorded cost. 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. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Building Improvements	5 to 60 years
Improvements Other Than Buildings	15 to 50 years
Machinery and Equipment	3 to 20 years

Under a contractual agreement with the State of Georgia Department of Economic Development, the Authority operates the Georgia World Congress Center. The Georgia World Congress Center consists of exhibition facilities for conventions, trade shows and meetings catering to national, international and corporate groups. The Georgia World Congress Center was financed with the proceeds from State of Georgia General Obligation Bonds and is owned by the State of Georgia.

Deferred Outflows of Resources
Deferred Outflows of Resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Long-term Obligations
Long-term debt is recognized as a liability of proprietary fund types if those liabilities are expected to be financed from proprietary fund operations.

Compensated Absences
Compensated absences represent obligations of the Authority relating to employee's rights to receive compensation for future absences based upon services already rendered. This obligation relates to vesting of annual leave, compensatory leave and banked holiday leave. Compensated leave is recorded as an expense as earned.

Employees earn annual leave ranging from ten to fourteen hours each month depending upon the employees' length of continuous State service with a maximum accumulation of forty-five days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Certain employees who retire with one hundred and twenty days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System of Georgia.

The Authority has adopted a policy where employees may request that a portion of their unused accrued annual leave balance be paid in lump sum. There are eligibility requirements and minimum balances that must be maintained in addition to a maximum of 40 hours per year that can be converted through this process.

Employees earn ten hours of sick leave each month with a maximum accumulation of ninety days. Unused accumulated sick leave does not vest with the employee and is forfeited upon retirement or termination of employment.

Unearned Revenue
Unearned revenue includes deposits and payments received in advance for future events, including marketing, and advertising and event license contracts.

Deferred Inflows of Resources
Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Other Post Employment Benefits
For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia World Congress Center Post-Employment Health Benefits Plan (GWCC OPEB Plan) and the State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB) and additions to/deductions from the GWCC OPEB Plan and SEAD-OPEB's fiduciary net position have been determined on the same basis as they are reported by the GWCC OPEB Plan and SEAD-OPEB. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions 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 additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

Net Position
The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "net position." Net position is reported in three categories:

Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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. The Authority reports the following restricted net position:

Maintenance of Art – represents restriction placed by contract with AHEPA Centennial Foundation, Inc. for the maintenance and repair of works of art placed in Centennial Olympic Park.

Mercedes Benz Stadium (MBS) – represents restriction placed on hotel/motel tax collections and PSL payments, which are reserved for operations and maintenance of the MBS.

Capital Campaign – represents restriction placed on capital campaign contributions restricted for renovations to Centennial Olympic Park.

Net OPEB Asset – represents restriction on assets related to the proportional share of the SEAD OPEB plan net OPEB Asset.

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

Net Position Flow Assumption

Sometimes an entity will fund outlays for a particular purpose from both restricted (e.g. restricted bond proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

E. Revenues and Expenses

Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for space rent, utility services, catering and parking services. Operating expenses include personal services, regular operating expenses, equipment, contractual expenses and depreciation on capital assets. All revenues and expenses not meeting this definition and construction related activities are reported as non-operating revenues and expenses.

Advance payments for future events are recorded as unearned revenue at the time the payments are received and recorded as income as the related event occurs.

Certain amounts reported as other nonoperating revenues and expenses for the stadium project include interest earned on PSL receivables and related expense to AMB.

Personal Seat Licenses (PSL)

In connection with the construction of MBS, the Authority offered PSLs for sale through the stadium construction period. PSLs are governed by a Personal Seat License Agreement (the PSL Agreement), which provides the PSL licensee with the right to purchase the related season tickets for all home games played by the Atlanta Falcons (the Team) as long as the Team plays in the stadium. Revenue associated with sales through August 19, 2017, the date of the stadium’s substantial completion has been recognized.

Shared Revenues

Pursuant to the Hotel and Motel Tax Act as enacted and amended by the General Assembly of Georgia, the City of Atlanta, the City of Chattahoochee Hills and Fulton County, Georgia, have agreed to levy and collect an excise tax in the amount of seven percent on rooms, lodgings and accommodations within the special district defined in the Hotel and Motel Tax Act. Pursuant to the Stadium Funding Agreement between the Authority and the City of Atlanta and Fulton County, Georgia, 39.3% is dedicated to the purposes of the MBS and the remaining 9.6% is to be used at the Authority's discretion.

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Implementation of New Accounting Standards

In fiscal year 2019, the Authority considered implementation of the following GASB Statements:

GASB Statement No. 83 “Certain Asset Retirement Obligations.”

GASB Statement No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.”

The objective of Statement No. 83 is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement had no impact on the Authority’s financial statements.

The objective of Statement No. 88 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 had no impact on the Authority’s financial statement, but did require additional disclosure.

In fiscal year 2020, the Authority will implement the following:

GASB Statement No. 84 “Fiduciary Activities.”

GASB Statement No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.

The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The objectives of Statement No. 90 are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial information for certain component units.

NOTE 3: BUDGETS

An internal operations budget for management purposes is prepared by the Authority. The budget is not subject to review or approval by the General Assembly of the State of Georgia and therefore, is a non-appropriated budget.

NOTE 4: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Georgia Collateralization Statutes and Policies
Funds of the State of Georgia 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 OCGA Section 50-17-59:

(1) Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or of the State of Georgia.

(2) Bonds, bills, certificates of indebtedness, notes, 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, or debt obligations issued by or securities guaranteed 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 Corporation, or 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.

NOTE 5: DEPOSITS AND INVESTMENTS

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2019, the bank balances totaled $28,276,808.57. In 2018, the State of Georgia implemented a Secure Deposit Program (SDP), a multi-bank pledging pool. The SDP requires participating banks that accept public deposits in Georgia to operate under the policy and procedures of the program. For disclosure purposes, all deposits of participants in the SDP are considered to be fully insured. The Authority's banks are all included in the State's SDP.

B. Investments

At June 30, 2019, the Authority had $15,240,411.28 in Georgia Fund 1 investment pool. Georgia Fund 1, created by OCGA Section 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAf rated money market funds. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1.00 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the Authority's investment in Georgia Fund 1 is reported at fair value. The pool is regulated by the Georgia Office of

State Treasurer. The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB No. 79 and is thus valued at fair value in accordance with GASB 31. As a result, the Authority does not disclose investment in the Georgia Fund 1 with the fair value hierarchy.

Fair Value Measurements

In October 2016, the Authority's OPEB Trust Board of Trustees engaged a money management firm to invest plan assets. The OPEB Trust categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2019, the OPEB Trust Fund had the following investments:

Investment	Level 1	Level 2	Level 3	Fair Value
Mutual funds invested in fixed income securities	$ 1,683,340	$ -	$ -	$ 1,683,340
Mutual funds invested in equities	2,432,248	-	-	2,432,248
Mutual funds invested in alternative investments	717,398	-	-	717,398
Total:	$ 4,832,986	$ -	$ -	$ 4,832,986

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality risk of the Authority is managed by restricting investments to those authorized in Note 1.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balances July 1, 2018	Additions	Deletions	Transfers	Balances June 30, 2019
Capital Assets, Not Being Depreciated:					
Land and Land Improvements	$ 65,986,867.00	$ 395,746.00	$ -	$ -	$ 66,382,613.00
Construction Work In Progress	7,412,493.40	7,173,616.19	7,412,493.40		7,173,616.19
Total Capital Assets, Not Being Depreciated	73,399,360.40	7,569,362.19	7,412,493.40	-	73,556,229.19
Capital Assets, Being Depreciated:					
Buildings and Building Improvements	1,616,523,787.00	7,946,226.17	-	(2,080,829.17)	1,622,389,184.00
Improvements Other Than Buildings	35,797,674.53	15,562,359.10	-	-	51,360,033.63
Equipment	41,198,994.72	1,799,584.37	174,033.63		42,824,545.46
Less: Accumulated Depreciation:					
Buildings and Improvements	79,862,786.49	96,472,847.17	-	-	176,335,633.66
Improvements Other Than Buildings	20,285,348.94	1,409,399.68	-	-	21,694,748.62
Equipment	15,546,437.84	6,177,957.94	174,033.63		21,550,362.15
Total Capital Assets, Being Depreciated, Net	1,577,825,882.98	(78,752,035.15)	-	(2,080,829.17)	1,496,993,018.66
Total Capital Assets, Net	$ 1,651,225,243.38	$ (71,182,672.96)	$ 7,412,493.40	$ (2,080,829.17)	$ 1,570,549,247.85

NOTE 7: LONG-TERM LIABILITIES

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
Compensated Absences	$ 1,793,885.08	$ 248,713.52	$ 143,991.07	$ 1,898,607.53	$ 222,876.10
Net Postemployment Benefit Liability	24,371,197.00	-	3,115,958.00	21,255,239.00	-
Net Pension Liability	27,800,731.99	-	2,984,934.00	24,815,797.99	-
Customer Deposits Payable	10,000.00	-	-	10,000.00	-
Stadium Liability	149,603,927.28	7,337,597.00	81,089,007.60	75,852,516.68	12,008,020.51
Installment Purchase Agreement	28,568,736.77	-	1,054,065.88	27,514,670.89	1,111,216.43
	$ 232,148,478.12	$ 7,586,310.52	$ 88,387,956.55	$ 151,346,832.09	$ 13,342,113.04

Installment purchase debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ended June 30:			
2020	$ 1,111,216.47	$ 1,304,582.90	$ 2,415,799.37
2021	1,171,567.96	1,249,636.15	2,421,204.11
2022	1,253,112.66	1,191,369.93	2,444,482.59
2023	1,359,205.51	1,128,362.08	2,487,567.59
2024	1,442,876.77	1,061,115.28	2,503,992.05
2025 - 2029	8,813,611.93	4,124,818.58	12,938,430.51
2030 - 2034	12,363,079.59	1,538,079.76	13,901,159.35
	$ 27,514,670.89	$ 11,597,964.68	$ 39,112,635.57

This liability is a direct borrowing related to the energy performance upgrades installed during fiscal year 2016. The agreement is between the vendor and the GA Department of Economic Development (Department). The Department would be responsible for any events of default. However, the Authority acts as an agent for the Department for this agreement and could be responsible for legal fees and expenses related to any court action should defaults occur.

NOTE 8: UNEARNED REVENUE

At June 30, 2019, the unearned revenue consisted of advance payments from customers for upcoming events.

NOTE 9: RISK MANAGEMENT

Other Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; 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 year ended June 30, 2019.

NOTE 10: RETIREMENT PLANS

Employees' Retirement System of Georgia (ERS)

Substantially all the Authority employees participate in various retirement plans administered by the State of Georgia under the Employees' Retirement System of Georgia (the System). The system issues separate, publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained by visiting the following website: www.ers.ga.gov/financials. 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.

One of the plans within the System, also titled Employee's Retirement System (ERS Plan), 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.

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 had the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Authority's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2019 was 24.78% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contribution rate of 24.66% of annual covered payroll for old and new plan members and 21.66% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. The Authority's contributions to ERS totaled $4,471,939 for the year ended June 30, 2019. 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, 2019, the Authority reported a liability for its proportionate share of the collective ERS Plan net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The Authority's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2018. At June 30, 2018, the Employer's proportion was 0.603639%, which was a decrease of 0.080883% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of $1,556,989. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ 771,819	$ -
Changes in Assumptions	1,169,140	-
Net difference between projected and actual earnings on pension plan investments	-	571,876
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	2,363,972
Employer contributions subsequent to the measurement date	4,471,939	-
Total	$ 6,412,898	$ 2,935,848

Authority contributions subsequent to the measurement date of $4,471,939 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 Ending June 30	
2020	251,443
2021	(40,164)
2022	(950,647)
2023	(255,521)
2024	0
Thereafter	0

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017. Based on the funding policy adopted by the Board on March 15, 2018, the investment rate of return assumption will be changed to 7.30% in the June 30, 2018 actuarial valuation. Therefore, the investment rate used in the roll-forward of the total pension liability is 7.30% using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases (average, including inflation)	3.25% - 7.00%
Investment rate of return (net of pension plan investment expense, including inflation)	7.30%

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality for members 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, 2017 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	30.0%	(0.50)%
Domestic large stocks	37.2%	9.0%
Domestic mid stocks	3.4%	12.0%
Domestic small stocks	1.4%	13.5%
International developed market stocks	17.8%	8.0%
International emerging market stocks	5.2%	12.0%
Alternative	5.0%	10.5%
Total	100%	

* 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.

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.30 %, as well as what the Authority'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 1-percentage-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 liability	$ 35,296,831	$ 24,815,798	$ 15,885,690

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/formspubs/formspubs.html.

Payables to the pension plan

Pension payments due on June 30, 2019, in the amount of $351,628.96 were recorded as a liability of the Authority.

GSEPS 401(k) Defined Contribution Component of ERS

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

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 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 percent 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% do not receive any matching funds.

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

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

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

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or 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.

In 2019, the Authority employer and employee GSEPS contributions were $324,198.88 and $654,479.51, respectively.

Georgia Defined Contribution Plan

Certain employees of the Authority participate in the Georgia Defined Contribution Plan (GDCP), which is a multiple-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for public employees who are not members of a public retirement or pension system. GDCP is administered by the ERS Board of Trustees.

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board. If a member has less than $3,500 credit to his/her account, the Board has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions of GDCP are established and may be amended by the State statue.

Member contributions are 7.5% of gross salary. There are no employer contributions. Contribution rates are established and may be amended by State statue. 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, 2019, were $198,271.72, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

The Authority participates in the following other post-employment benefit (OPEB) plans:

Administered by the Authority:
Georgia World Congress Center Authority Post-Employment Health Benefit Plan (GWCC OPEB Plan)
– Beginning January 1, 2013

Administered by the ERS System:
State Employees' Assurance Department (SEAD)
– For retired and vested inactive (SEAD-OPEB)

The net OPEB asset, net OPEB liability, and related deferred outflows of resources, deferred inflows of resources, and OPEB Expense for the plans are summarized below.

	GWCC OPEB Plan	SEAD-OPEB Plan	Total
Net OPEB Asset	$ -	$ 1,294,760	$ 1,294,760
Net OPEB Liability	21,255,239	-	21,255,239
Deferred Outflows of Resources Related to OPEB	42,505	217,254	259,759
Deferred Inflows of Resources Related to OPEB	5,094,710	214,049	5,308,759
OPEB Expense	935,257	(19,144)	916,113

Georgia World Congress Center Authority Post-Employment Health Benefit Plan (GWCC OPEB Plan)

On January 1, 2013, the Authority began administering its own retiree health insurance plan. The GWCC OPEB Plan (the Plan) is a single-employer defined benefit post-retirement health care plan, or other post-employment benefit (OPEB plan). The Plan is administered by a Board of Trustees initially made up of the Finance Committee of the Board of Governors of the Authority. An individual Trustee may remain on the Board as long as he or she is a member of the Finance Committee.

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. Coverage starts immediately at retirement, provided the retiree makes proper premium payments. In addition, spousal coverage is provided for the lifetime of the participant and dependents may participate for the lifetime of the retiree as long as the retiree pays the required monthly contribution for dependent coverage. The Authority has the authority to establish and amend benefit provisions.

The plan is generally 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. During fiscal year 2018, the Authority's Board approved an additional contribution above the current year's pay-as-you-go amount. Such additional contribution amounts are determined annually by the Board. The contribution requirements of plan members are established and may be amended by the Authority. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. Retirees are required to pay a percentage of the premium depending on hire date and years of service; however, Medicare becomes the primary coverage at the eligible age of coverage, through their required contribution.

The following schedule, based on the June 30, 2018 actuarial valuation report, reflects membership for the OPEB Plan as of June 30, 2018:

Inactive Members or Beneficiaries	
Receiving benefits	41
Inactive Members or Beneficiaries	
Entitled to but not receiving benefits	0
Active Members	355
Total Membership	396

<u>Investments</u>

The Plan maintains an investment policy that may be amended by its Board both upon its own initiative and upon consideration of the advice and recommendations of its investment managers. The strategy in regard to the allocation of invested assets is established and may be amended by the Plan's Board. The policy in regard to the allocation of invested assets is established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the plans.

<u>Money-Weighted Rate of Return</u>

The annual money-weighted rate of return on the OPEB Trust investments in FY19 was 5.1%, net of the Trust's investment expenses.

<u>Net OPEB Liability of the Authority</u>

Effective July 1, 2017, the GWCC OPEB Plan implemented the provisions of GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which significantly changes the Authority's accounting for OPEB amounts. The information disclosed below is presented in accordance with the new standard. The GWCC OPEB Plan does not issue separate financial statements.

The Authority's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 with the actuary using standard techniques to roll forward the liability to the measurement date.

Total OPEB Liability	$ 25,800,079
Plan Fiduciary Net Position	(4,544,840)
Net OPEB Liability	$ 21,255,239
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	17.62%

<u>Actuarial Assumptions</u>

The total OPEB liability at June 30, 2019 is based upon the June 30, 2018 actuarial valuation with updated procedures performed by the actuary to roll forward to June 30, 2019. Significant assumptions utilized by the actuary include:

Inflation	2.75%
Real wage growth	0.50%
Wage inflation	3.25%
Salary increases, including wage inflation	
General Employees	3.25% - 7.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	6.50%
Municipal Bond Index Rate	
Prior Measurement Date	3.89%
Measurement Date	3.50%
Year FNP is projected to be depleted	
Prior Measurement Date	2025
Measurement Date	2040
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.02%
Measurement Date	4.29%
Health Care Cost Trends	
Pre-Medicare	7.75% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

The discount rate used to measure the total OPEB liability was based upon the Single Equivalent Interest Rate.

Mortality rates were based on the RP-2000 mortality tables projected to 2040 with projection scale BB, with adjustments made for retired and disabled employees where appropriate.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases 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, adopted by the Board of Trustees of the Employees' Retirement System of Georgia on December 17, 2015.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be 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 then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return*
Fixed Income	40%	0.70%
Equity Funds	45%	7.00%
Alternatives	15%	3.40%
Total	100%	

* Rates shown are net of the assumed 1.9% rate of inflation.

<u>Discount Rate</u>
The discount rate used to measure the total OPEB liability as of the Measurement Date was 4.29%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB No. 74 and No. 75. The projection's basis was an actuarial valuation performed as of June 30, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.25%.
- Active employees do not explicitly contribute to the Plan.
- In all years before the assets are depleted, the benefits are paid from the trust as the benefits come due.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's Fiduciary Net Position (FNP) was projected to be depleted in 2040 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). Here, the long-term expected rate of return of 6.50% on Plan investments was applied to periods through 2040 and the Municipal Bond Index Rate at the Measurement Date (3.50%) was applied to periods on and after 2040, resulting in an SEIR at the Measurement Date (4.29%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 4.02% at the Prior Measurement Date to 4.29% at the Measurement Date.

The FNP projections are based upon the Plan's financial status on the Valuation date, the indicated set of methods and assumptions, and the requirements of GASB 74 and 75. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

<u>Sensitivity of the Authority's net OPEB liability to changes in the discount rate</u>

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
Net OPEB liability	$ 26,075,929	$ 21,255,239	$ 17,453,305

<u>Sensitivity of the Authority's net OPEB liability to changes in the health care cost trend rates</u>

The following presents the Net OPEB Liability of the Plan, as well as what the Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Net OPEB liability	$ 17,032,917	$ 21,255,239	$ 26,680,086

Changes in the Net OPEB Liability of the Authority

The changes in the components of the net OPEB liability of the Authority for the year ended June 30, 2019, were as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 6/30/18	$ 28,688,378	$ 4,317,181	$ 24,371,197
Changes for the year:			
Service Cost at the end of the year*	1,104,930	-	1,104,930
Interest on TOL and Cash Flows	1,145,786	-	1,145,786
Difference between expected and actual experience	(3,287,450)	-	(3,287,450)
Changes of assumptions or other inputs	(1,475,401)	-	(1,475,401)
Contributions - employer	-	400,000	(400,000)
Net investment income	-	237,859	(237,859)
Benefit payments	(376,164)	(376,164)	-
Plan administrative expenses	-	(34,036)	34,036
Net changes	(2,888,299)	227,659	(3,115,958)
Balance as of 6/30/19	$ 25,800,079	$ 4,544,840	$ 21,255,239
Plan Net Position as a Percentage of Total OPEB Liability		17.62%	

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB under GASB No. 75

The Authority's net OPEB liability was measured as of June 30, 2019. For the year ended June 30, 2019, the Authority recognized OPEB expense of $935,257. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ -	$ 2,872,343
Changes in Assumptions	-	2,222,367
Net difference between projected and actual earnings on pension plan investments	42,505	-
Total	$ 42,505	$ 5,094,710

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

Year Ending June 30	
2020	(1,069,204)
2021	(1,069,204)
2022	(1,069,204)
2023	(928,952)
2024	(769,442)
Thereafter	(146,199)

State Employees' Assurance Department (SEAD)
SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., related to retirement, so as to establish a fund for the provision of term life insurance to retire and vested inactive members of ERS, LRS, and GJRS. The plan is a cost-sharing multiple-employer defined benefit other postemployment benefit plan. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit terms to a Board of Trustees for the SEAD-OPEB. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments. The SEAD-OPEB trust fund is included in ERS financial statements which are publicly available and can be obtained at www.ers.ga.gov/financials.

Members in the ERS prior to January 1, 2009 and members in LRS or GJRS prior to July 1, 2009 are eligible for participation in the SEAD-OPEB plan. Effective July 1, 2009, no newly hired members of any Georgia public retirement system are eligible for term life insurance under the SEAD-OPEB. The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance 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.

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed on-half of 1% of the member's earnable compensation. Georgia law also establishes that the Board of Trustees determines the amount of any required contributions from the employer. There were no employer contributions required or made for the fiscal year ended June 30, 2019.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>
At June 30, 2019, the Authority reported an asset of $1,294,760 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB asset was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The Authority's proportion of the net OPEB asset was actuarially determined based on member salaries reported to the SEAD-OPEB during the fiscal year ended June 30, 2018. At June 30, 2018, the Authority's proportion was 0.478396%, which was a decrease of 0.083635% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2019, the Authority recognized SEAD-OPEB expense of ($19,144). At June 30, 2018, the Authority reported deferred outflows of resources and 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 experiences	$ 14,146	$ -
Changes in Assumptions	66,521	-
Net difference between projected and actual earnings on pension plan investments	-	214,049
Changes in proportion and differences between Employer contributions and proportionate share of contributions	136,587	-
Total	$ 217,254	$ 214,049

Amounts reported as deferred outflows of resources and deferred inflows of resources related to SEAD -OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2020	70,913
2021	15,567
2022	(65,392)
2023	(17,883)
2024	0
Thereafter	0

Actuarial assumptions

The total SEAD-OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017. Based on the funding policy adopted by the Board on March 15, 2018, the investment rate of return assumption will be changed to 7.30% in the June 30, 2018 actuarial valuation. Therefore, the investment rate of return used in the roll-forward of the total pension liability is 7.30% using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	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 or both males and females for service retirements and dependent beneficiaries.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the ERS pension system, which covered the five-year period ending June 30, 2014.

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

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 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	30.0%	(0.50)%
Domestic large equities	37.2%	9.0%
Domestic mid equities	3.4%	12.0%
Domestic small equities	1.4%	13.5%
International developed market equities	17.8%	8.0%
International emerging market equities	5.2%	12.0%
Alternatives	5.0%	10.5%
Total	100.0%	

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

Discount rate

The discount rate used to measure the total SEAD-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.

Sensitivity of the Commission's proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
Employer's proportionate share of the net OPEB liability (asset)	$ (697,611)	$ (1,294,760)	$ (1,784,221)

NOTE 12: OTHER FINANCIAL NOTES

Mercedes-Benz Stadium (MBS)

In fiscal year 2018, construction on the new stadium was substantially completed. The MBS replaced the Georgia Dome (Dome) as the home of the NFL Atlanta Falcons and other major events currently hosted at the Dome. The Authority owns the new stadium and licenses the right of use of the stadium to StadCo (the AFFC division responsible for the MBS), who in turn will sublicense the MBS to the Atlanta Falcons. The license term is 30 years, with the StadCo having the right to exercise three 5-year renewal terms. StadCo will pay the Authority an annual license fee payment of $2.5 million per year with a two-percent annual escalator during the term of the license. The Atlanta Falcons also entered into a non-relocation agreement for the same period as the term of the StadCo License, including exercised renewals.

NOTE 13: CONTINGENCIES AND COMMITMENTS

Litigation, claims and assessments filed against the Authority, if any, are generally considered to be actions against the State of Georgia. The Authority is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate disposition of these proceedings is not presently determinable. However, it is not believed that the ultimate disposition of these proceedings would have a material adverse effect on the financial condition of the Authority.

The Authority has a contractual commitments for the hotel project with a maximum amount of $9.0 million payable to the developer and $14.4 million payable to the architect. At June 30, 2019, $1.2 million had been paid to the developer and $4.8 million in expenses for architectural fees had been accrued.

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY - GWCC OPEB
JUNE 30, 2019

SCHEDULE "1"

	2019	2018	2017
Total OPEB liability			
Service cost at end of year	$ 1,104,930	$ 1,162,404	$ 1,291,382
Interest on the Total OPEB liability	1,145,786	1,053,450	930,675
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(3,287,450)	(181,509)	-
Changes of assumptions or other inputs	(1,475,401)	(1,541,994)	(2,936,699)
Benefit payments	(376,164)	(394,109)	(293,923)
Net change in total OPEB liability	(2,888,299)	98,242	(1,008,565)
Total OPEB liability - beginning	28,688,378	28,590,136	29,598,701
Total OPEB liability - ending (a)	$ 25,800,079	$ 28,688,378	$ 28,590,136
Plan fiduciary net position			
Contributions - employer	$ 400,000	$ 568,547	$ 568,547
Net investment income	237,859	246,076	230,639
Benefit payments	(376,164)	(394,109)	(293,923)
Administrative expenses	(34,036)	(44,785)	-
Net change in plan fiduciary net position	227,659	375,729	505,263
Plan fiduciary net position - beginning	4,317,181	3,941,452	3,436,189
Plan fiduciary net position - ending (b)	$ 4,544,840	$ 4,317,181	$ 3,941,452
Authority's net OPEB liability - ending (a) - (b)	$ 21,255,239	$ 24,371,197	$ 24,648,684
Plan fiduciary net position as a percentage of the total OPEB liability	17.62%	15.05%	13.79%
Covered Employee Payroll	$ 20,772,602	$ 17,531,496	17,531,496
Net OPEB liability as a percentage of covered payroll	102.32%	139.01%	140.60%

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

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - GWCC OPEB
JUNE 30, 2019

	2019	2018	2017	2016
Actuarially Determined Contribution	$ 1,138,476	$ 1,700,862	$ 1,700,862	$ 1,700,862
Contributions in relation to the actuarially determined contribution	400,000	568,547	568,547	$ 2,759,193
Annual contribution deficiency (excess)	$ 738,476	$ 1,132,315	$ 1,132,315	$ (1,058,331)
Covered Employee Payroll *	$ 20,772,602	$ 17,531,496	$ 17,531,496	$ 17,531,496
Actual contributions as a percentage of covered employee payroll	1.93%	3.24%	3.24%	15.74%

* For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

Notes to the schedule:

Method and assumptions used in calculations of actuarially determined contributions:
The Actuarial Determined Contribution (ADC) is calculated with each biennial actuarial valuation. The following actuarial methods and assumptions from the actuarial reports as of June 30, 2019 and prior years were used to determine the contribution amount reported in the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level %
Amortization period	30 years, Open
Asset valuation method	Market Value of Assets
Inflation	2.75%
Wage Inflation	3.25%
Salary increases, including wage inflation	
General Employees	3.25% - 7.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	6.50%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2028

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

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB TRUST INVESTMENT RETURNS - GWCC OPEB
JUNE 30, 2019

SCHEDULE "3"

	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses for the OPEB Trust	5.10%	4.60%	5.30%

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

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY - SEAD OPEB
JUNE 30, 2019

	2019	2018
Authority's proportion of the net OPEB liability (asset) (%)	0.478396%	0.562031%
Authority's proportion of the net OPEB liability (asset) ($)	$ (1,294,760)	$ (1,460,747)
Authority's covered employee payroll	$ 20,772,602	$ 16,710,919
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(6.23)%	(8.74)%
Plan fiduciary net position as a percentage of the total OPEB liability	129.46%	130.17%

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

GEORGE L. SMITH, II
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS - SEAD OPEB
(DOLLARS IN THOUSANDS)
JUNE 30, 2019

SCHEDULE "5"

	2019	2018
Contractually required contribution	$ -	$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
Agency's covered employee payroll	$ 20,773	$ 16,711
Contributions as a percentage of covered-employee payroll	N/A	N/A

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

SCHEDULE "6"

GEORGE L. SMITH, II
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.603639%	0.684522%	0.721915%	0.682804%	0.685275%
Employer's proportionate share of the net pension liability	$ 24,815,798	$ 27,800,732	$ 34,149,612	$ 27,663,108	$ 25,702,047
Employer's covered payroll	$ 18,894,821	$ 16,710,919	$ 19,056,000	$ 18,641,075	$ 16,685,784
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	131.3%	166.4%	179.2%	148.4%	154.0%
Plan fiduciary net position as a percentage of the total pension liability	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.

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GEORGE L. SMITH. II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
(DOLLARS IN THOUSANDS)
JUNE 30, 2019

	2019	2018	2017	2016
Contractually required contribution	$ 4,472	$ 4,232	$ 4,510	$ 4,149
Contributions in relation to the contractually required contribution	4,472	4,232	4,510	4,149
Contribution deficiency (excess)	-	-	-	-
Agency's covered-employee payroll	16,711	17,531	18,826	19,056
Contributions as a percentage of covered-employee payroll	26.76%	24.14%	23.96%	21.77%

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

	2015	2014	2013	2012	2011	2010
	$ 3,832	$ 2,962	$ 2,219	$ 1,561	$ 1,434	$ 1,557
	3,832	2,962	2,219	1,561	1,434	1,557
	-	-	-	-	-	-
	18,641	16,686	15,505	14,881	14,616	15,495
	20.56%	17.75%	14.31%	10.49%	9.81%	10.05%

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Changes of benefit terms:
A new benefit tier was added for members joining the System on and after July 1, 2009. A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016. A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2017.

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

Method and assumptions used in calculations of actuarially determined contributions:
The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2018 reported in that schedule:

Valuation date	June 30, 2017
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	19.4
Asset valuation method	Five-year smoothed market
Inflation rate	2.75%
Salary increases	3.25% - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

Independent Auditor's Report

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 George L. Smith, II
Georgia World Congress Center Authority
and
Mr. Frank Poe, Executive Director

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 business-type activities and the aggregate remaining fund information of the George L. Smith II, Georgia World Congress Center Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 8, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified a certain deficiency in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS-922-01, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

George L. Smith, II Georgia World Congress Center Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Greg S. Griffin
State Auditor

November 8, 2019

SECTION III

III FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-922-19-01 <u>Continue to Strengthen Logical Access Controls</u>

Internal Control Impact: Significant Deficiency
Control Categories: Accounting Controls
Compliance Impact: Nonmaterial Noncompliance
Repeat of Prior Year Finding: FS-922-16-02, FS-922-17-01, FS-922-18-01

Strengthen controls over logical access within the payroll application.

Background Information:

The Georgia World Congress Center Authority (GWCCA) implemented a Human Resource Information System (HRIS) in May 2015 to process its human resource (HR) and payroll transactions. During our follow up to the prior year findings, we noted that certain improvements to logical access were made during fiscal year 2019. The GWCCA removed the inappropriate access to the system administration function within the payroll application for two users identified in the prior year finding. The GWCCA also designed formal client user and role permission review processes for the payroll application.

Although considerable progress has been made, GWCCA's user access review processes were not fully designed and implemented within the audit period under review.

Criteria:

The GWCCA is responsible for designing and operating an effective information system and related control activities. In addition, GWCCA is responsible for managing and monitoring an effective information system to ensure that HR and payroll transactions are authorized, complete, valid, and accurately recorded and reported.

An effective information system related to the HRIS includes information technology (IT) general controls that address logical access to ensure access is assigned based on job roles and responsibilities. Sound logical access controls also ensure segregation of incompatible duties is enforced. Such controls contribute to the design, implementation, and operating effectiveness of GWCCA's information systems and related control activities and are critical to reduce the risk of error, misuse, or fraud.

Furthermore, all organizations of the State government are required to conform to and comply with the technology security standards established by the Georgia Technology Authority (Official Code of Georgia Annotated (OCGA) §50-25-4(a)(21)), including the Authorization and Access Management standard (SS-08-010), which requires periodic reviews of access control lists and logs to validate the appropriateness of user accounts and use of access privileges. Access control measures are critical to ensuring users only have access to the information for which they are authorized and need to perform their official duties.

An effective information system also includes policies and procedures, which are important in establishing processes for managing and monitoring user access, changes made to user access roles, and defining segregation of duties rules.

III FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Condition:

Our review of GWCCA's HRIS general controls revealed prior year issues that were not fully resolved related to logical access. Specifically, five employees continue to have inappropriate access to the system administration function within the payroll application. This is due to the ineffective design of advanced user permissions within the application.

The design of advanced user permissions allows the ability to provision new users or modify user access (add/modify/delete) to the application, in addition to the other permissions needed to perform certain job responsibilities where the user's other assigned application role does not allow the access. The HRIS system does not allow changing the configuration of the advanced user permissions unless modification to the application code is made by the vendor. The GWCCA designed user access and role permission review processes to mitigate this issue but was not able to fully implement them during the year.

In addition, GWCCA did not complete the design of its access reviews for base level users and the implementation of its client user access review processes for all departments during the year. These processes are necessary to determine whether user access continues to be appropriate based on job responsibilities and privileges assigned to application roles continue to provide proper segregation of duties.

Cause:

The GWCCA did not complete the design and implementation of its user access and role permission review processes during fiscal year 2019.

Effect:

The weaknesses in IT general controls related to logical access exposes GWCCA to unnecessary risk of fraud, noncompliance with OCGA §50-25-4(a)(21) and could impact the integrity and reliability of data. These weaknesses also increase the need for GWCCA to ensure mitigating controls are operating effectively to reduce the chance of errors that could significantly affect the financial statements.

Recommendation:

We recommend GWCCA continue to strengthen logical access controls by completing the design and implementation of its user access and role permission review processes within the HRIS application. Having a good system of internal controls is essential to ensure the reliability and integrity of HR and payroll data.

Views of Responsible Officials:

We concur.

SECTION IV

GEORGIA WORLD CONGRESS CENTER AUTHORITY

November 7, 2019

FS 922-19-01 Continue to Strengthen Logical Access Controls

Description:

The design of advanced user permissions allows the ability to provision new users or modify user access (add/modify/delete) to the application, in addition to the other permissions needed to perform certain job responsibilities where the user's other assigned application role does not allow access.

The HRIS system does not allow changing the configuration of the advanced user permissions unless modification to the application code is made by the vendor. The GWCCA designed user access and role permission review processes to mitigate this issue but was not able to fully implement them during the year.

In addition, GWCCA did not complete the design of its access reviews for base level users and the implementation of its client user access review processes for all departments during the year.

Corrective Action Plan:

In FY20, GWCCA management and staff will implement the following procedures:

1. In January of each year, a report will be generated of all Paycom non-client side, base level user's access. This report will be sent directly to the Directors/Managers of each department to verify the following:
   - Confirm users are currently in their department
   - Confirm user's level of access is valid and accurate

Estimated Completion Date: January 31, 2020.

2. An end of month User Change Report will be reviewed by the HR Director & HRIS Analyst. Applicable Directors will receive a User Change Report if users from their department are listed on the report and there's a need for further clarification of a change.

3. An annual review of all system privileges and security rights will be conducted for all Supervisor level and above (Managers, Directors, Executives) client side users

Estimated Completion Date: April 30, 2020.

4. A quarterly review of the Super User activity report will be conducted by the Director of Internal Audit.

5. Permission Profiles will be created for each department, detailing all supervisors, managers and admin roles and their rights within the department. An annual review of the Permission Profiles will be conducted by the Human Resources Department and the Director of each department to ensure all users are accurate and maintain the appropriate level of access.

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