Fiscal Year 2016

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, 2016

Department of Audits and Accounts

Greg S. Griffin
State Auditor

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY

- TABLE OF CONTENTS -

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the 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 each major fund 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, 2016, 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 each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2016, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 9, and the Schedule of Funding Progress for Other Post-Employment Benefits, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 46 to 49 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 December 23, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Greg S. Griffin
State Auditor

December 23, 2016

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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 ended June 30, 2016 and comparing them to fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should read it in conjunction with the Authority's basic financial statements, which follow this section, including the notes to the financial statements to enhance their understanding of the Authority's financial performance.

The Authority manages the activities of the Georgia World Congress Center (GWCC), the Savannah International Trade and Convention Center, the Georgia Dome and the Centennial Olympic Park (COP), which generate significant regional economic impact by attracting conventions, tradeshows, sports and entertainment and other special events. During fiscal year 2016, construction on the new stadium continued and will be owned by the Authority. Construction on Mercedes-Benz Stadium (MBS) is expected to be substantially completed in 2017 in time for the 2017 National Football League (NFL) season.

HIGHLIGHTS

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2016 are as follows:

- Construction in progress equaled $880.4 million, which reflects the 2nd year of construction of MBS that will replace the Georgia Dome in 2017.
- The Authority's total net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) was $935.2 million at June 30, 2016. Of this amount, ($30.6) million represents unrestricted net position and $965.8 million 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 increased by $530.3 million primarily because of capital contributions for the new stadium construction activity.
- Debt service payments during the fiscal year totaled $51.0 million.
- MBS club seat Personal Seat License (PSL) sales began in January 2015 in connection with the start of the relocation process for current Georgia Dome club seat holders. As of September 2016, PSL sales are at 78% of available MBS Club Seats. Concurrent with sales of the remainder of club seats, the remaining seats at the stadium have been opened for sale with PSL sales in total for MBS currently at 53% of available seat inventory.
- The Authority underwent an Investment Grade Energy Audit. The recommendations included several energy and water conservation measures, including new lighting inside the GWCC, outside the facility and in the COP, as well as chiller and boiler replacement for the facility. Georgia Department of Economic Development entered into an installment purchase agreement with Trane for a total project cost of $44.7 million to be financed with 4.83 percent interest for 17 years. Over the term of the contract, the guaranteed savings will exceed $49 million. The Authority will use the savings to provide funds for repayment of the installment purchase agreement.

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 Funds

The Authority uses Enterprise Funds, a type of Proprietary Fund, to account for activities of the GWCC Fund, the Georgia Dome Fund and the COP Fund, all of which are considered to be major funds. 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 period. These statements can be found on pages 12-19 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 21-43 of this report.

Financial Analysis of the Authority as a Whole

The Authority's net position at June 30, 2016 and June 30, 2015 is as follows:

	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	Total % Change
Other Assets	$ 236,871,257	$ 213,104,011	$ 23,767,246	11.2%
Capital Assets (Net of Depreciation)	965,839,204	431,885,206	533,953,998	123.6%
Total Assets	1,202,710,461	644,989,217	557,721,244	86.5%
Deferred Outflows of Resources	4,859,785	5,726,325	(866,540)	-15.1%
Other Liabilities	62,909,358	81,493,791	(18,584,433)	-22.8%
Long-Term Liabilities	207,158,305	158,032,888	49,125,417	31.1%
Total Liabilities	270,067,663	239,526,679	30,540,984	12.8%
Deferred Inflows of Resources	2,286,141	6,273,083	(3,986,942)	-63.6%
Net Investment in Capital Assets	965,839,204	380,855,206	584,983,998	153.6%
Restricted	60,773	25,745,495	(25,684,722)	-99.8%
Unrestricted	(30,683,535)	(1,684,921)	(28,998,614)	1721.1%
Total Net Position	$ 935,216,442	$ 404,915,780	$ 530,300,662	131.0%

Other assets increased by $23.8 million when compared to the prior year due to an increase in accounts receivable attributable to the sale of PSLs. Capital assets increased when compared to prior year due to current period construction activity for the MBS. Long-term liabilities increased by $49.1 million mainly due to the net effect of an increase in unearned PSL revenue ($59.3 million), an installment purchase for the energy savings contract ($30.1 million) and a decrease in Revenue Bonds

Payable ($39.1 million). Almost all of the PSL buyers have financed their purchases, either without interest until 2017 or with interest for up to an additional 10 years. Down payments of 10% to 33% were required. Total net position for the Authority increased during the fiscal year to $935.2 million. This increase of $530.3 million is due to an increase in total assets related to the MBS. The Authority's unrestricted net position decreased by $29.0 million primarily from the liability associated with the energy savings contract.

The following is a summary of Revenues, Expenses and changes in Net Position for FY 2016 compared to FY 2015:

Change in Net Position

	Fiscal Year 2016	Fiscal Year 2015	Increase/ (Decrease)	Total % Change
Operating Revenue	$ 98,360,737	$ 91,208,324	$ 7,152,413	7.8%
Operating Expenses	115,855,144	110,885,350	4,969,794	4.5%
Operating Loss	(17,494,407)	(19,677,026)	(2,182,619)	-11.1%
Nonoperating Revenue (Net)	32,639,435	27,606,667	5,032,768	18.2%
Income Before Transfers and Special Items	15,145,028	7,929,641	7,215,387	91.0%
Transfers and Special Items	515,155,635	335,237,532	179,918,103	53.7%
Change in Net Position	530,300,663	343,167,173	187,133,490	54.5%
Net Position, July 1	404,915,779	89,075,715	315,840,064	354.6%
Change in Accounting Principle		(27,327,109)	27,327,109	N/A
Net Position, July 1, as restated	404,915,779	61,748,606	343,167,173	555.7%
Total Net Position, June 30	$ 935,216,442	$ 404,915,779	$ 530,300,663	131.0%

The Authority had an operating loss of $17.5 million for the fiscal year. Before depreciation, the Authority had an operating profit of $2.8 million. Operating revenues were $98.4 million for the fiscal year ended June 30, 2016 which is an increase of $7.2 million or 7.8% from the previous year. The increase is mostly due to a $2.7 million increase in Seat/Suites License Fees and a $1.6 million increase in parking revenue. The major revenue sources in the fiscal year 2016 were for premium suites and seats fees, rental services, catering, and utility services.

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, 2016 were $115.9 million, which is an increase of $5.0 million or 4.5%, over the prior year. The overall increase in operating expenses was primarily due to a $3.2 million increase in Professional Services.

During fiscal year 2016, nonoperating revenues/expenses (net) of $32.6 million were $5.0 million or 18.2% higher than in fiscal year 2015. The Centennial Olympic Park Capital Campaign brought in a total net revenue of $7.2 million, however the hotel/motel tax revenue decreased $3.4 million because the Dome bonds were refunded and the related tax revenue is now designated for the MBS. The debt for the new stadium was issued by InvestAtlanta.

The Authority also recognized net capital contributions of $515.2 million during fiscal year 2016, which consist of contributions that were used to fund current period construction activity of the MBS ($545.2 million) and recognition of the energy savings contract payable to the Department of Economic Development ($30.1 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets as of June 30, 2016 totaled $1.2 billion, with accumulated depreciation of $244.6 million for a net book value of $965.8 million, a $534.0 million increase over fiscal year 2015. The increase in capital assets resulted from the construction in progress related to the MBS agreement. Investments in capital assets include land, buildings, improvements, construction in progress, and equipment. Depreciation charges related to the capital assets for the year totaled $20.3 million. It should be noted that land for the MBS, Georgia Dome and land and buildings for the convention center 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 7 on page 32 of this report.

Debt Administration

During this fiscal year, the Authority redeemed the remaining Revenue Bonds outstanding balance of $51.0 million related to the construction of the Georgia Dome. As of June 30, 2016, the Authority entered into an installment purchase agreement for new energy and water conservation measures implemented during 2016. Additional information on the Authority's long-term debt can be found in Note 8 on page 32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 200-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 2.8 million visitors attended events at the GWCC, the Georgia Dome and Centennial Olympic Park during fiscal year 2016. According to a Georgia State University study, those visitors generated an estimated economic impact of almost $800 million. Trade shows, conventions, and sporting events also helped generate an estimated $144.8 million in tax revenues for the state and local governments. Additionally, the Authority contributes to the region's economy by creating jobs.

Fiscal year 2016 was an excellent year for the Authority. We hosted many exciting events on campus. The GWCC hosted 212 events including convention and tradeshows, 16 graduations and 16 public/consumer events. Some of our larger events this year included the Atlanta International Auto Show, Cheersport, AA International Convention, IPPE, Modex, and MomoCon. The Georgia Dome hosted 72 events in fiscal year 2016 including 16 Professional sporting events, 3 film shoots, 12 amateur sporting events and 14 graduations/local events. Centennial Olympic Park hosted 5 major events this year in addition to their regular events and daily visitors to the park. The major events included Shaky Beats and Shaky Knees festivals, Sweetwater 420 festival and a Foo Fighters concert.

The Authority made several notable accomplishments in fiscal year 2016:

- The Authority initiated the first phase of a strategic reorganization plan that included the appointment of key leaders in new roles.
- A Capital Campaign for Centennial Olympic Park produced pledges of over $25 million in support of the Authority’s 2020 Vision.

- Centennial Olympic Park received the Downtown Economic Impact Award presented by Central Atlanta Progress.
- The Authority began a flooring project to replace approximately 81,000 square feet of carpet with a more durable terrazzo flooring. The project is expected to be completed by June 2017.
- The Authority Staff and Board continued the possibility of developing a hotel on the campus. An RFQ was issued in early 2015 for potential hotel developers followed with an RFP which was due back October 2015. Current discussions and negotiations are under way with various key stakeholders.
- The Authority staff has given of their time and money to our community through support of our strategic partners - Bethune Elementary, Gateway Center, Atlanta Union Mission, Atlanta Food Bank and the State Charitable Contributions Program.

The 200-acre campus of the Authority is committed to servicing the State of Georgia as the leading economic generator and is committed to the tradeshow manager, convention attendee, sports fan and the downtown community to provide best in class service and environment for 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 2017 operating budget includes operating revenues of $98.6 million and operating expenses of $87.5 million, excluding depreciation.

The Authority in conjunction with StadCo, will continue to oversee the construction activity of the MBS. The estimated project budget for the MBS is $1.5 billion. Funding for this project in fiscal year 2017 will consist of the proceeds from the sale of personal seat licenses by the Authority and additional private contributions.

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.

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BASIC FINANCIAL STATEMENTS

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2016

EXHIBIT "A"

	MAJOR FUNDS			
	GWCC FUND	GEORGIA DOME FUND	CENTENNIAL OLYMPIC PARK FUND	TOTAL
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 16,956,786.45	$ 49,246,044.29	$ 1,229,229.01	$ 67,432,059.75
Accounts Receivable				
Customers	4,201,568.01	11,620,532.12	166,564.24	15,988,664.37
Hotel/Motel Tax	2,925,519.18			2,925,519.18
Prepaid Items	23,562.73	57,068.40	28,919.12	109,550.25
Inventories	281,513.18			281,513.18
Total Current Assets	24,388,949.55	60,923,644.81	1,424,712.37	86,737,306.73
Noncurrent Assets				
Restricted				
Cash and Cash Equivalents				
Customer Deposits		3,116,812.13	0.00	3,116,812.13
Personal Seat Licenses	13,410,436.60			13,410,436.60
Accounts Receivable - PSLs	131,600,939.12			131,600,939.12
Prepaid OPEB Obligation		2,005,762.93		2,005,762.93
Total Restricted Assets	145,011,375.72	5,122,575.06	0.00	150,133,950.78
Capital Assets				
Land and Land Improvements	800,000.00		45,000,489.56	45,800,489.56
Construction In Progress	880,445,854.00			880,445,854.00
Building and Building Improvements		210,308,890.08		210,308,890.08
Less: Accumulated Depreciation		(194,696,400.96)		(194,696,400.96)
Improvements other than Buildings			35,797,674.53	35,797,674.53
Less: Accumulated Depreciation			(17,898,837.30)	(17,898,837.30)
Equipment	10,201,604.55	24,063,907.70	3,776,288.70	38,041,800.95
Less: Accumulated Depreciation	(6,716,999.78)	(21,884,685.21)	(3,358,582.23)	(31,960,267.22)
Capital Assets (Net of Accumulated Depreciation)	884,730,458.77	17,791,711.61	63,317,033.26	965,839,203.64
Total Noncurrent Assets	1,029,741,834.49	22,914,286.67	63,317,033.26	1,115,973,154.42
TOTAL ASSETS	1,054,130,784.04	83,837,931.48	64,741,745.63	1,202,710,461.15
DEFERRED OUTFLOWS of RESOURCES				
Deferred Outflows of Resources Related to Pensions	3,266,198.75	1,347,434.29	246,152.40	4,859,785.44

(continued)

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, 2016

EXHIBIT "A"

	MAJOR FUNDS			
	GWCC FUND	GEORGIA DOME FUND	CENTENNIAL OLYMPIC PARK FUND	TOTAL
LIABILITIES				
Current Liabilities				
Accounts Payable				
Vendors	2,722,205.76	4,132,709.79	166,637.31	7,021,552.86
Hotel/Motel Tax	2,313,970.62			2,313,970.62
Accrued Payroll/Payroll Withholdings	156,108.60			156,108.60
Compensated Absences	145,728.75	46,545.96	12,546.61	204,821.32
Unearned Revenue	3,336,904.93	44,164,568.87	133,633.02	47,635,106.82
Installment Purchases Payable	214,427.29			214,427.29
Total Current Liabilities	8,889,345.95	48,343,824.62	312,816.94	57,545,987.51
Current Liabilities Payable from Restricted Assets				
Accounts Payable	5,363,370.37			5,363,370.37
Noncurrent Liabilities				
Compensated Absences	1,343,274.27	417,206.60	78,751.43	1,839,232.30
Other Post-employment Benefit Obligation	5,046,573.29		260,104.22	5,306,677.51
Pension Liability	18,537,200.50	7,640,866.36	1,485,041.13	27,663,107.99
Customer Deposits Payable		2,869,022.44		2,869,022.44
Unearned Revenue	139,642,005.35			139,642,005.35
Installment Purchases Payable	29,838,259.77			29,838,259.77
Total Noncurrent Liabilities	194,407,313.18	10,927,095.40	1,823,896.78	207,158,305.36
TOTAL LIABILITIES	208,660,029.50	59,270,920.02	2,136,713.72	270,067,663.24
DEFERRED INFLOWS of RESOURCES				
Deferred Inflows of Resources Related to Pensions	1,298,950.75	857,889.20	129,301.05	2,286,141.00
NET POSITION				
Net Investment in Capital Assets	884,730,458.77	17,791,711.61	63,317,033.26	965,839,203.64
Restricted for:				
Maintenance of Art			60,773.46	60,773.46
Unrestricted	(37,292,456.23)	7,264,844.94	(655,923.46)	(30,683,534.75)
Total Net Position	$ 847,438,002.54	$ 25,056,556.55	$ 62,721,883.26	$ 935,216,442.35

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

EXHIBIT "B"

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, 2016

	MAJOR FUNDS			
	GWCC FUND	GEORGIA DOME FUND	CENTENNIAL OLYMPIC PARK FUND	TOTAL
OPERATING REVENUES				
Space Rental	$ 11,459,848.09	$ 8,566,607.67	$ 947,150.00	$ 20,973,605.76
Rental - Suite		2,783,859.67		2,783,859.67
Rental - Equipment	91,526.80	54,948.00	9,083.00	155,557.80
Utility Services	8,021,186.73	131,098.00	56,387.00	8,208,671.73
Parking	6,751,585.74	654,618.43	15,384.40	7,421,588.57
Catering	6,133,123.00	8,587,091.00	251,639.02	14,971,853.02
Contributed Equipment	893,237.97	385,317.41	97,917.32	1,376,472.70
Advertising	778,018.31	4,684,716.57		5,462,734.88
Seats/Suites License Fee		25,467,258.67		25,467,258.67
Telecommunications	1,206,323.73	53,451.19	2,724.69	1,262,499.61
Cancellation Fee	117,027.00			117,027.00
Sponsorship			250,015.00	250,015.00
Contract Services - Savannah	2,507,884.14			2,507,884.14
Miscellaneous	2,293,319.19	4,734,435.68	373,953.81	7,401,708.68
Total Operating Revenue	40,253,080.70	56,103,402.29	2,004,254.24	98,360,737.23
OPERATING EXPENSES				
Personal Services	22,671,721.58	9,835,977.78	1,872,421.64	34,380,121.00
Other Post-employment Benefits (OPEB)	1,431,601.43	258,723.15	34,496.42	1,724,821.00
Regular Operating Expenses	10,959,525.47	7,512,090.89	990,607.29	19,462,223.65
Equipment/Computer	1,502,370.56	788,306.30	21,851.59	2,312,528.45
Professional Services	5,581,108.36	4,581,547.25	682,643.03	10,845,298.64
Other	419,731.22	251,051.61	19,617.73	690,400.56
Special Projects/Capital Outlay	2,035.00	31,670.00		33,705.00
Contractual - Game Tickets		11,735,177.00		11,735,177.00
Contractual - Falcons		6,583,527.11		6,583,527.11
Contractual - Commissions		7,799,497.90		7,799,497.90
Total Operating Expenses	42,568,093.62	49,377,568.99	3,621,637.70	95,567,300.31
Operating Profit (Loss) Before Depreciation	(2,315,012.92)	6,725,833.30	(1,617,383.46)	2,793,436.92
Depreciation Expense	744,074.59	18,000,210.50	1,543,559.25	20,287,844.34
Operating (Loss)	(3,059,087.51)	(11,274,377.20)	(3,160,942.71)	(17,494,407.42)

(continued)

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, 2016

EXHIBIT "B"

	MAJOR FUNDS			
	GWCC FUND	GEORGIA DOME FUND	CENTENNIAL OLYMPIC PARK FUND	TOTAL
NONOPERATING REVENUES (EXPENSES)				
Hotel and Motel Tax (net)	6,081,347.16	19,812,579.17		25,893,926.33
Investment Income	23,455.15	42,127.00	1,786.00	67,368.15
Vendor's Compensation on Sales Tax Collections	185.32	3,849.72	172.90	4,207.94
Interest Expense		(590,180.09)		(590,180.09)
Gain on Capital Asset Disposals	2,970.76			2,970.76
Insurance Recovery	16,625.00			16,625.00
Brick Campaign Revenue			61,378.38	61,378.38
Brick Campaign Expense			(61,378.38)	(61,378.38)
Capital Campaign Revenue			7,463,784.34	7,463,784.34
Capital Campaign Expense			(219,267.20)	(219,267.20)
Bond Money Revenue				
Georgia State Financing and Investment Commission	370,186.34			370,186.34
Bond Money Expense				
Georgia State Financing and Investment Commission	(370,186.34)			(370,186.34)
Stadium Project Expenses	(37,626,235.27)			(37,626,235.27)
Personal Seat License Revenue	37,626,235.27			37,626,235.27
Total Nonoperating Revenues (Expenses)	6,124,583.39	19,268,375.80	7,246,476.04	32,639,435.23
Income (Loss) Before Transfers and Special Items	3,065,495.88	7,993,998.60	4,085,533.33	15,145,027.81
TRANSFERS				
Transfers In			2,197,495.47	2,197,495.47
Transfers Out	(2,197,495.47)			(2,197,495.47)
Total Transfers	(2,197,495.47)		2,197,495.47	0.00
SPECIAL ITEMS				
Capital Contributions - MBS	545,208,322.00			545,208,322.00
Capital Contributions - Installment Purchase Agreement	(30,052,687.06)			(30,052,687.06)
Total Special Items	515,155,634.94			515,155,634.94
Change in Net Position	516,023,635.35	7,993,998.60	6,283,028.80	530,300,662.75
NET POSITION, JULY 1	331,414,367.19	17,062,557.95	56,438,854.46	404,915,779.60
NET POSITION, JUNE 30	$ 847,438,002.54	$ 25,056,556.55	$ 62,721,883.26	$ 935,216,442.35

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, 2016

EXHIBIT "C"

	MAJOR FUNDS			
	GWCC FUND	GEORGIA DOME FUND	CENTENNIAL OLYMPIC PARK FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 35,445,742.44	32,208,613.11	$ 2,085,998.43	$ 69,740,353.98
Customer Seat and Suite Deposits - Georgia Dome		(3,757,407.02)		(3,757,407.02)
Customer Seat and Suite License Fees - Georgia Dome		25,467,258.67		25,467,258.67
Cash Paid to Vendors	(25,062,071.96)	(32,645,726.39)	(2,478,008.02)	(60,185,806.37)
Cash Paid to Employees	(14,289,912.99)	(7,515,071.27)	(1,282,753.39)	(23,087,737.65)
Annual Payment (Contractual - Falcons)		(6,583,527.11)		(6,583,527.11)
Net Cash Provided By Operating Activities	(3,906,242.51)	7,174,139.99	(1,674,762.98)	1,593,134.50
CASH FLOWS FROM NONCAPITAL FINANCING				
Hotel and Motel Tax Received	28,963,154.83			28,963,154.83
Hotel and Motel Tax Distributed	(23,032,615.91)			(23,032,615.91)
Operating Transfer - Centennial Olympic Park Operations	(2,197,495.47)		2,197,495.47	0.00
Insurance Recovery	16,625.00			16,625.00
Vendor's Compensation on Sales Tax Collections	185.32	3,849.72	172.90	4,207.94
Net Cash Provided By Noncapital Financing Activities	3,749,853.77	3,849.72	2,197,668.37	5,951,371.86
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest/Fees Paid on Refunding Revenue Bonds		(1,399,253.02)		(1,399,253.02)
Principal Payment on Refunding Revenue Bonds		(51,030,000.00)		(51,030,000.00)
Hotel and Motel Tax Received - Dedicated to Georgia Dome		19,812,579.17		19,812,579.17
Proceeds from Capital Campaign			7,463,784.34	7,463,784.34
Capital Campaign Expenses			(156,265.43)	(156,265.43)
Proceeds from Personal Seat License Fees	32,924,513.07			32,924,513.07
Stadium Project Expenses	(32,262,864.90)			(32,262,864.90)
Acquisition and Construction of Capital Assets	(75,825.78)	12,087.95	(8,517,604.00)	(8,581,341.83)
Net Cash Provided By Capital and Related Financing Activities	585,822.39	(32,604,585.90)	(1,210,085.09)	(33,228,848.60)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investment Securities		(29,661,642.76)		(29,661,642.76)
Proceeds from Sale and Maturity of Investments		29,661,642.76		29,661,642.76
Interest on Investments	23,455.15	42,127.00	1,786.00	67,368.15
Net Cash Provided By Investing Activities	23,455.15	42,127.00	1,786.00	67,368.15
Net Increase (Decrease) in Cash and Cash Equivalents	452,888.80	(25,384,469.19)	(685,393.70)	(25,616,974.09)
CASH AND CASH EQUIVALENTS - JULY 1	29,914,334.25	77,747,325.61	1,914,622.71	109,576,282.57
CASH AND CASH EQUIVALENTS - JUNE 30	$ 30,367,223.05	$ 52,362,856.42	$ 1,229,229.01	$ 83,959,308.48

(continued)

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, 2016

EXHIBIT "C"

	MAJOR FUNDS			
	GWCC FUND	GEORGIA DOME FUND	CENTENNIAL OLYMPIC PARK FUND	TOTAL
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating (Loss)	$ (3,059,087.51)	$ (11,274,377.20)	$ (3,160,942.71)	$ (17,494,407.42)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Depreciation	744,074.59	18,000,210.50	1,543,559.25	20,287,844.34
Contract with Levy Restaurants for Equipment Purchases	(317,654.48)	(77,939.36)	(53,613.88)	(449,207.72)
Changes in Assets and Liabilities:				
Accounts Receivable	(888,642.10)	4,788,950.47	4,281.13	3,904,589.50
Prepaid Items	165,723.82	(1,623,680.58)	(4,643.20)	(1,462,599.96)
Inventories	68,635.34			68,635.34
Customer Deposits Payable		(3,757,407.02)		(3,757,407.02)
Unearned Revenues	(595,889.68)	2,060,766.96	47,000.00	1,511,877.28
Other Postemployment Benefit Obligation	1,431,601.43	(494,706.92)	34,496.42	971,390.93
Net Pension Liability	1,417,067.00	441,723.00	102,271.00	1,961,061.00
All Other Liabilities	(540,627.25)	(246,707.78)	(40,904.04)	(828,239.07)
Changes in Deferred Inflows/Outflows of Resources				
Deferred Inflows of Resources	(2,879,549.84)	(899,201.35)	(208,190.82)	(3,986,942.01)
Deferred Outflows of Resources	548,106.17	256,509.27	61,923.87	866,539.31
Total Adjustments	(847,155.00)	18,448,517.19	1,486,179.73	19,087,541.92
Net Cash Provided By (Used In) Operating Activities	$ (3,906,242.51)	$ 7,174,139.99	$ (1,674,762.98)	$ 1,593,134.50
Noncash Investing, Capital and Financing Activities				
Increase in Accrued Construction in Progress Costs	$ 545,208,322.00			$ 545,208,322.00
Increase in unearned revenue for PSL proceeds receivable	51,216,797.30			51,216,797.30
Increase in Installment Purchases Payable	30,052,687.06			30,052,687.06

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

EXHIBIT "D"

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2016

	OPEB TRUST FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 3,633,672.28
Total Assets	3,633,672.28
LIABILITIES	
Current Liabilities	
Benefits Payable	197,482.91
Total Liabilities	197,482.91
NET POSITION	
Net Position:	
Held in trust for:	
OPEB Benefits	3,436,189.37
Total Net Position	$ 3,436,189.37

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, 2016

EXHIBIT "E"

	OPEB TRUST FUND
ADDITIONS	
Contributions - Employer	$ 2,759,193.00
Contributions - Plan Participants	28,712.75
Interest Earned	10,031.93
Total Additions	2,797,937.68
DEDUCTIONS	
Benefits	226,195.66
Total Deductions	226,195.66
Change in Net Position Held in Trust for Other Employee Benefits	2,571,742.02
Net Position, July 1	864,447.35
Net Position, June 30	$ 3,436,189.37

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

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INDEX		PAGE
NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	23
NOTE 2.	CHANGES IN FINANCIAL ACCOUNTING AND REPORTING	28
NOTE 3.	BUDGETS	30
NOTE 4.	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	30
NOTE 5.	DEPOSITS AND INVESTMENTS	31
NOTE 6.	TRANSFERS	31
NOTE 7.	CAPITAL ASSETS	32
NOTE 8.	LONG-TERM LIABILITIES	32
NOTE 9.	UNEARNED REVENUE	33
NOTE 10.	RISK MANAGEMENT	33
NOTE 11.	RETIREMENT PLANS	34
NOTE 12.	OTHER POST-EMPLOYMENT BENEFITS	39
NOTE 13.	OTHER FINANCIAL NOTES	42
NOTE 14.	CONTINGENCIES AND COMMITMENTS	43

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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 (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 Funds - Enterprise Funds
These major funds account for those activities 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.

GWCC Fund – Used to report activity associated with operations of the Georgia World Congress Center and certain administrative responsibilities related to the Georgia Dome, Centennial Olympic Park and the Savannah International Trade and Convention Center. 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) are reflected in this fund.

Georgia Dome Fund – Used to report activity associated with operations of the Georgia Dome.

Centennial Olympic Park (COP) Fund – Used to report activity associated with operations of the Centennial Olympic Park.

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. This investment is valued at the pool's share price, $1.00 per share.

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 cost or amortized cost. Accounting principles generally accepted in the United States of America require that investments be reported at fair value, however, the variance in cost/amortized cost and fair value is deemed immaterial to the financial statements.

The Authority may invest regular funds in U. S. Government securities, certificates of deposit and repurchase agreements. In addition, the Series 2011 Refunding Revenue Bond covenants restrict the Authority to the following forms of investments for the Georgia Dome Fund:

(1) Obligations issued by the United States government.

(2) Obligations of any corporation of the United States government fully guaranteed by the United States government.

(3) Obligations of the Federal Home Loan Bank.

(4) Repurchase Agreements.

As of June 30, 2016, the Authority did not report any investments.

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, 2016, 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 customer deposits paid to the Authority based on contracts for the rental of premium seats and suites within the Georgia Dome and personal seat licenses (PSL) being sold for the new stadium scheduled to open in 2017. Certain customer deposits are subject to refund upon expiration of the contracts.

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.

In anticipation of the Georgia Dome demolition in 2017, the remaining useful life was reduced by 3 years to allow for full depreciation by 2017. It was originally scheduled to be fully depreciated by 2020. This change in remaining estimated useful life was accounted for as a change in estimate.

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, comp. leave and banked holiday leave. Compensated leave is recorded as an expense as earned. Cost of compensated leave of terminated employees is covered by operations of the related fund.

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 premium suites and seat contracts, marketing, and advertising and event license contracts. This classification also includes PSL proceeds initially recorded as unearned revenue and is recognized as revenue when earned.

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.

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:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by 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.

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 use restricted-net position before unrestricted-net position if the expense is incurred for purposes for which both restricted and unrestricted net position are available.

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 from event ticket sales, and premium suites and seat contracts 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 PSL revenue recognized to fund non-capitalized amounts paid for MBS construction costs, certain administrative and sales center stadium project expenses.

Personal Seat Licenses (PSL)

In connection with the construction of MBS, the Authority is offering 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 is recognized as funds are used to pay for PSL marketing expenses and stadium construction costs.

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 Sandy Springs, the City of Johns Creek, 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, 48.9% of such collections are to be paid to the Authority, with 39.3% dedicated to the purposes of the Domed Stadium Project (the Georgia Dome) and the remaining 9.6% to be used at the Authority's discretion. The flow of future shared revenues dedicated to the purposes of the Georgia Dome may not be terminated prior to the liquidation of all Series 2011 Refunding Revenue Bonds. The Series 2011 Refunding Revenue Bonds were liquidated in May 2016. The 39.3% in collections previously used for the Dome debt, will be used in compliance with the hotel/motel tax funding agreement which requires these funds to be used for the MBS. Beginning in May of 2016, the City of Sandy Springs, City of Johns Creek and The City of Chattahoochee Hills discontinued payment of hotel motel taxes to the Authority.

F. Transfers and Special Items

Transfers

Transfers are made up of interfund transfers which are used to move a portion of revenues from the GWCC Fund to the COP Fund for operations of the Centennial Olympic Park.

Special Items

Special items consist of capital contributions in relation to the MBS and the installment purchase agreement for new energy and water conservation measures implemented during 2016. Capital contributions for the MBS are made up of proceeds from the sale of revenue bonds by the City of Atlanta, proceeds from the sale of personal seat licenses by the Authority and additional private contributions. The installment purchase agreement represents the Authority's contribution for building improvements to the Georgia World Congress Center which is owned by the State of Georgia.

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

In fiscal year 2016, the Authority considered implementation of the following GASB Statements:

GASB Statement No. 72 *"Fair Value Measurement and Application"*

GASB Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*

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

GASB Statement No. 79 *"Certain External Investment Pools and Pool Participants"*

The objective of Statement No. 72 is to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Authority did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

The objective of Statement No. 73 is to improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Authority was not affected by this standard.

The objective of Statement No. 76 is to improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Authority complied with Statement No. 76 and was not negatively affected by the hierarchy change nor by the use of non-authoritative literature.

The objective of Statement No. 79 is to enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The Authority does not have any assets or liabilities that are impacted by this statement.

In fiscal year 2017, the Authority will implement the following:

> GASB Statement No. 74 "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*"
>
> GASB Statement No. 77 "*Tax Abatement Disclosures*"
>
> GASB Statement No. 78 "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*"
>
> GASB Statement No. 80 "*Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*"
>
> GASB Statement No. 82 "*Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*"

The objective of Statement No. 74 is to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

The objective of Statement No. 77 is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

The objective of Statement No. 78 amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

The objective of Statement No. 80 is to enhance the comparability of financial statements among governments. Greater comparability improves the decision usefulness of information reported in financial statements and enhances its value for assessing government accountability.

The objective of Statement No. 82 is to improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

Implementing GASB Statement No. 74 will result in new additional disclosures but is not expected to have a significant impact to the fiduciary fund financial statements. There are no known financial impacts as a result of implementing GASB Statement Nos. 77, 78, 80 or 82.

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

Compliance with Revenue Bond Covenants

The Authority is subject to certain covenants with regard to the issuance of the Series 2000/2011 Refunding Revenue Bonds (Domed Stadium Project). The 2000 revenue bonds were refunded in November 2011. In May, 2016, the Authority redeemed the remaining $51.0 million of refunding revenue bonds. The Authority believes it complied with all bond covenants.

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, 2016, the bank balances were $78,279,553.60. The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1-	Uncollateralized,
Category 2-	Cash collateralized with securities held by the pledging financial institution,
Category 3-	Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the Authority's name.

The Authority's deposits by custodial risk category at June 30, 2016, are as follows:

Custodial Credit Risk Category		Bank Balance
1	$	0.00
2		77,529,553.60
3		0.00
Total	$	77,529,553.60

B. Investments

The Authority has invested in Georgia Fund 1, a local government investment pool, and reported the cash equivalent of $10,250,451.59 on the financial statements. The Georgia Fund was rated AAAf by Standard and Poor's. All other investments were liquidated prior to fiscal year-end.

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.

NOTE 6: TRANSFERS

Transfers during the year ended June 30, 2016, consist of the following:

Transfers In		
Interfund	$	2,197,495.47
Transfers Out		
Interfund		-2,197,495.47
Total Transfers	$	0.00

Transfers are made up of interfund transfers which are used to move a portion of revenues from the GWCC Fund to the Centennial Olympic Park Fund for operations of the Centennial Olympic Park.

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balances July 1, 2015	Additions	Deletions	Balances June 30, 2016
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	$ 37,282,885.56	$ 8,517,604.00	$ 0.00	$ 45,800,489.56
Construction Work In Progress	335,237,532.00	545,208,322.00		880,445,854.00
Total Capital Assets, Not Being Depreciated	372,520,417.56	553,725,926.00	0.00	926,246,343.56
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	210,308,890.08			210,308,890.08
Improvements Other Than Buildings	35,797,674.53			35,797,674.53
Equipment	42,842,533.80	515,916.31	5,316,649.16	38,041,800.95
Less: Accumulated Depreciation:				
Buildings and Improvements	178,964,982.23	15,731,418.73		194,696,400.96
Improvements Other Than Buildings	16,705,581.48	1,193,255.82		17,898,837.30
Equipment	33,913,746.59	3,363,169.79	5,316,649.16	31,960,267.22
Total Capital Assets, Being Depreciated, Net	59,364,788.11	-19,771,928.03	0.00	39,592,860.08
Total Capital Assets, Net	$ 431,885,205.67	$ 533,953,997.97	$ 0.00	$ 965,839,203.64

NOTE 8: LONG-TERM LIABILITIES

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
Refunding Revenue Bonds	$ 51,030,000.00		$ 51,030,000.00	$ 0.00	
Pension Liability	25,702,046.99	$ 1,961,061.00		27,663,107.99	
Compensated Absences	2,091,087.84	215,811.18	262,845.40	2,044,053.62	$ 204,821.32
Customer Deposits Payable	6,626,429.46		3,757,407.02	2,869,022.44	
Unearned Revenue	139,246,776.77	85,656,570.67	37,626,235.27	187,277,112.17	47,635,106.82
Installment Purchase Payable		30,052,687.06		30,052,687.06	214,427.29
Other Postemployment Benefit Obligation	4,335,286.58	1,724,821.00	2,759,193.00	3,300,914.58	
	$ 229,031,627.64	$ 119,610,950.91	$ 95,435,680.69	$ 253,206,897.86	$ 48,054,355.43

Installment purchase debt service requirements to maturity are as follows:

Fiscal Year Ended June 30:		Principal		Interest		Total
2017	$	214,427.28	$	241,493.46	$	455,920.74
2018		1,269,090.60		1,412,255.67		2,681,346.27
2019		1,054,498.29		1,356,766.24		2,411,264.53
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
2022-2026		7,249,258.66		5,280,486.70		12,529,745.36
2027-2031		10,231,993.33		3,212,122.78		13,444,116.11
2032-2035		7,750,634.47		551,136.16		8,301,770.63
	$	30,052,687.06	$	14,608,480.06	$	44,661,167.12

NOTE 9: UNEARNED REVENUE

At June 30, 2016, unearned revenue consisted of:

Prepayments for Upcoming Events	$	14,220,707.84
Prepayments for Luxury Suite and Club Seat Rental Fees		25,886,053.98
Advertising		7,528,345.00
PSL Revenue		139,642,005.35
Total Unearned Revenue		187,277,112.17
Less Current Unearned Revenue		47,635,106.82
Long-Term Unearned Revenue	$	139,642,005.35

NOTE 10: RISK MANAGEMENT

<u>Other Risk Management</u>
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, 2016.

NOTE 11: 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. 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.

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.

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, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. The Authority's contributions to ERS totaled $4,149,379.44 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

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

At June 30, 2016, the Authority reported a liability for its proportionate share of the collective ERS Plan net pension liability of $27,663,108. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Authority's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2015. At June 30, 2015, the Employer's proportion was 0.682804%, which was a decrease of 0.002471% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the Authority recognized pension expense of $2,606,780. At June 30, 2016, 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		$ 221,024.00
Net difference between projected and actual earnings on pension plan investments		1,995,939.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	$ 710,406.00	69,178.00
Employer contributions subsequent to the measurement date	4,149,379.44	
Total	$ 4,859,785.44	$ 2,286,141.00

Authority contributions subsequent to the measurement date of $4,149,379.44 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, 2016. 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		
2017	$	(372,701.00)
2018		(986,373.00)
2019		(889,632.00)
2020		672,971.00
2021		0.00
Thereafter		0.00

Actuarial Assumptions

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Fixed Income	30.00%	3.00%
Domestic large equities	39.70%	6.50%
Domestic mid equities	3.70%	10.00%
Domestic small equities	1.60%	13.00%
International developed market equities	18.90%	6.50%
International emerging market equities	6.10%	11.00%
Total	100.00%	

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

Discount rate

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

Sensitivity of the 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 7.50 %, 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 (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	$ 39,213,447	$ 27,663,108	$ 17,815,995

Pension plan fiduciary net position

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

Payables to the pension plan

Pension payments due on June 30, 2016, in the amount of $343,950.95 was 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 percents two through five. Therefore, the State will match 3% of salary when an employee contributes at least 5% to the 401(k) plan. Employee contributions greater than 5% 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 2016, the Authority employer and employee GSEPS contributions were $185,648.24 and $334,871.99, respectively.

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

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board. If a member has less than $3,500 credit to his/her account, the Board has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions of GDCP are established and may be amended by 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, 2016, were $228,522.72, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

NOTE 12: 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)
– For active employees (SEAD-Active)

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 is a single-employer defined benefit post-retirement health care plan, or other post-employment benefit (OPEB plan). Coverage starts immediately at retirement, provided the retiree makes proper premium payments. Also, spousal coverage is provided for the lifetime of the participant and dependents may participate for the lifetime of the retiree as long as the retiree pays the required monthly contribution for dependent coverage. 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 2016, 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 10% of the premium; however, Medicare becomes the primary coverage at the eligible age of coverage, through their required contribution of $56.99 to $64.17 per month for retiree-only coverage, $119.85 to $134.83 for retiree and spouse coverage, and $171.25 to $192.61 for retiree plus family coverage.

The following schedule, based on the June 30, 2016 actuarial valuation report, reflects membership for the OPEB Plan as of June 30, 2016:

Active Members		402
Annual Compensation	$	17,531,496
Retired Members		24

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The ARC of $1,700,862 for fiscal year 2016 was based on an actuarial valuation as of June 30, 2016. The Authority is required to contribute in accordance with the employer contribution rates established by the Authority. The Georgia Dome Fund made an additional contribution of $2,759,193 to the OPEB Trust Fund in FY16 which resulted in a prepaid OPEB obligation of $2,005,763 in that fund. This in combination with the OPEB obligations of the GWCC and COP Funds totaling $5,306,678 resulted in a net OPEB obligation of $3,300,915 for the Authority. The contribution rates are established to fund all benefits due under the health insurance plan for retired employees based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially calculated ARC.

	Fiscal Year 2016	Fiscal Year 2015
Annual Required Contribution	$ 1,700,862	$ 2,127,017
Interest on Net OPEB Obligation	195,088	52,034
Adjustment to Annual Required Contribution	(171,129)	(47,163)
Annual OPEB Cost (Expense)	1,724,821	2,131,888
Less: Contributions Made	2,759,193	1,000,000
Increase in Net OPEB Obligation	(1,034,372)	1,131,888
Net OPEB Obligation - Beginning of Year	4,335,287	3,203,399
Net OPEB Obligation - End of Year	$ 3,300,915	$ 4,335,287
Percentage of annual OPEB cost contributed	159.97%	46.91%

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, 2014 and 2013 (year of plan adoption) were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 1,156,311	0.00%	$ 1,156,311
2014	2,131,888	3.98%	3,203,399
2015	2,131,888	46.91%	4,335,287
2016	1,724,821	159.97%	3,300,915

Funding Status and Progress

As of the most recent actuarial valuation date, June 30, 2016, the funded status of the OPEB Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	$ 0	$ 19,053,285	$ 19,053,285	0.00%	$ 14,250,756	133.7%
6/30/2014	0	20,248,791	20,248,791	0.00%	17,772,589	113.9%
6/30/2016	3,633,672	19,606,871	15,973,199	18.5%	17,531,496	91.1%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the 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 calculations.

Additional information based on the June 30, 2016 actuarial valuation follows:

Valuation Date	June 30, 2016
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 Years
ARC Adjustment Factor	25.3334
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.50%
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of Ultimate trend rate	2022

* Includes an inflation assumption of 3.25%

State Employees' Assurance Department (SEAD)

SEAD-OPEB and SEAD-Active are cost-sharing multiple-employer defined benefit other post-employment plans that were created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to eligible members of the ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). SEAD-OPEB provides benefits for retired and vested inactive members, and SEAD-Active provides benefits for active members. Effective July 1, 2009, no newly hired members of any State public retirement system are eligible for term life insurance under SEAD.

Pursuant to Title 47 of the OCGA, benefit provisions of the plans were established and can be amended by State statute.

Contributions by plan members are established by the ERS Board of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The ERS Board of Trustees establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. Contributions for fiscal year 2016 were based on June 30, 2014, actuarial valuations as follows:

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

According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The net position represents the excess accumulation of investment income and premiums over benefit payments and expenses and is held as a reserve for payment of death benefits under existing policies.

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

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

NOTE 13: OTHER FINANCIAL NOTES

License Agreement

On July 1, 1990, the Authority entered into a License Agreement (Falcons Agreement) with Atlanta Falcons Football Club, LLC (AFFC), the holder of the National Football League Franchise for and owner of the Atlanta Falcons (Falcons). The expiration of the Falcons Agreement is the latter of June 30, of the license year (State fiscal year) of the maturity of the refunding revenue bonds or June 30 of the twentieth license year. As part of the Falcons Agreement, certain financial obligations between the Authority and the Falcons were established. These obligations pertain to the license fee payable by the Falcons to the Authority and the annual payments due from the Authority to the Falcons as described below.

License Fee

The license fee is payable by the Falcons to the Authority and amounts to ten percent (10%) of the net ticket proceeds, as defined in the Falcons Agreement, for each game day or exhibition performed by the Falcons in the Georgia Dome and cannot be less than $50,000.00 for each Falcons game at the Georgia Dome.

Annual Fixed Payment
The Authority has agreed to pay the Falcons the amount of $4,000,000.00 each year beginning on April 1, 1993, and continuing each April 1 thereafter for the term of the Falcons Agreement.

Mercedes-Benz Stadium (MBS)
In fiscal year 2016, construction on the new stadium continued. The MBS will replace the Georgia Dome (Dome) as the home of the NFL Atlanta Falcons and other major events currently hosted at the Dome. The Authority will own the new stadium and will license rights of use 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 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.

The MBS construction cost is estimated at $1.5 billion. The project is being funded in a public/private partnership. The public contribution will be funded by $200 million in revenue bonds issued by the City of Atlanta and PSL fees sold by the Authority prior to June 2017. The AFFC is responsible for the remaining costs of development and construction, as well as any cost overruns. PSL's are a one-time fee for seat ownership rights and a common form of financing for building new stadiums or undergoing large-scale renovation of sporting venues. In February 2014, the Authority appointed StadCo as the exclusive agent and sales representative for the marketing and sale of PSLs in the new stadium. MBS club seat Personal Seat License (PSL) sales began in January 2015 in connection with the start of the relocation process for current Georgia Dome club seat holders. As of September 2016, PSL sales are at 78% of available MBS Club Seats. Concurrent with sales of the remainder of club seats, the remaining seats at the stadium have been opened for sale with PSL sales in total for MBS currently at 53% of available seat inventory.

NOTE 14: CONTINGENCIES AND COMMITTMENTS

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.

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REQUIRED SUPPLEMENTARY INFORMATION

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2016

SCHEDULE "1"

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013		$ 0	$ 19,053,285	$ 19,053,285	0.00%	$ 14,250,756	133.7%
6/30/2014	*	$ 0	$ 20,248,791	$ 20,248,791	0.00%	$ 17,772,589	113.9%
6/30/2016		$ 3,633,672	$ 19,606,871	$ 15,973,199	18.5%	$ 17,531,496	91.1%

*The 6/30/2014 valuation reflects the plan changes for new employees hired 3/1/2014 or after and assumes that all active employees of the Georgia Dome terminate employment in 2017.

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2016

		2016	2015
Employer's proportion of the net pension liability		0.682804%	0.685275%
Employer's proportionate share of the net pension liability	$	27,663,108	25,702,047
Employer's covered-employee payroll	$	18,641,075	16,685,784
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll		148.40%	154.04%
Plan fiduciary net position as a percentage of the total pension liability		76.20%	77.99%

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

GEORGE L. SMITH, II
GEORGIA WORLD CONGRESS CENTER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
(DOLLARS IN THOUSANDS)
JUNE 30, 2016

	2016	2015	2014	2013
Contractually required contribution	$ 4,149	3,832	$ 2,962	$ 2,219
Contributions in relation to the contractually required contribution	$ 4,149	3,832	$ 2,962	$ 2,219
Contribution deficiency (excess)	$ 0	0	$ 0	$ 0
Authority's covered-employee payroll	$ 19,056	18,641	$ 16,686	$ 15,505
Contributions as a percentage of covered-employee payroll	21.77%	20.56%	17.75%	14.31%

2012	2011	2010	2009	2008	2007
$ 1,561	$ 1,434	$ 1,557	$ 2,627	$ 1,729	$ 1,668
$ 1,561	$ 1,434	$ 1,557	$ 2,627	$ 1,729	$ 1,668
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 14,881	$ 14,616	$ 15,495	$ 25,677	$ 17,069	$ 16,491
10.49%	9.81%	10.05%	10.23%	10.13%	10.11%

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

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

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

SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

Atlanta, Georgia 30334-8400

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund 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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 23, 2016.

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 were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as finding FS-922-16-01 to be a material weakness.

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 finding FS-922-16-02 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated December 23, 2016.

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

The Authority's response to the findings identified in our audit are 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Greg S Griffin

Greg S. Griffin
State Auditor

December 23, 2016

SECTION III

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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FS-922-16-01 Improve Controls over Financial Reporting

Internal Control Impact: Material Weakness
Compliance Impact: None

The Georgia World Congress Center Authority's (GWCCA) financial reporting process did not have adequate internal controls to prevent or detect some errors and omissions in its basic financial statements, including footnote disclosures.

Criteria:
The GWCCA is responsible for maintaining a system of internal control over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The design and operation of GWCCA's controls should allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements in a timely manner as well as facilitate the preparation of complete and accurate financial statements. The GWCCA is also responsible for documenting its controls. Documentation of controls is critical to the effective design, implementation, and operating effectiveness of GWCCA's internal control system.

Condition:
During the fiscal year 2016 audit, we identified the need for GWCCA to strengthen controls over its financial reporting process. The GWCCA uses an accounting system that does not readily produce GAAP-based financial statements which makes its financial reporting process more susceptible to errors due to the manual effort involved in preparing the basic financial statements. Over the course of the audit, we proposed several material audit adjustments that GWCCA recorded in its basic financial statements. These adjustments related to a variety of items as described below.

Construction in Progress (CIP) - The GWCCA did not record all CIP and associated capital contributions for the new stadium in the financial statements presented for audit. We identified costs incurred in the construction of the stadium that were not included in GWCCA's CIP calculation. We proposed an audit adjustment for the excluded costs, which totaled $102.5 million (in the aggregate).

Installment Purchase Agreement - The GWCCA did not record a liability associated with an installment purchase agreement for new energy and conservation measures implemented during 2016. While the Department of Economic Development entered into this agreement with the contractor, the GWCCA will use savings generated from these new measures to provide funds for repayment of the agreement. This omission resulted in the understatement of liabilities and associated capital contributions totaling $30 million in the financial statements presented for audit.

Capital Campaign Contributions - Revenues received for contributions to the Centennial Olympic Park (COP) Capital Campaign were initially recorded directly to the COP Fund's net position and unearned revenue accounts for $7 million and $200 thousand, respectively. These amounts were earned and should have been recorded as revenue in fiscal year 2016. In addition, pledged capital campaign revenue totaling $1 million was recorded as accounts receivable and unearned revenue in the COP Fund which should have been omitted from the financial statements.

Other Post-Employment Benefits (OPEB) - An additional payment made by the Dome Fund to the OPEB Trust Fund was initially recorded as an expense and set up as a reserve for future OPEB obligations. We proposed an audit adjustment to reclassify the net amount to a prepaid asset. The net effect prior to the recommended adjustment would have been a $2.5 million understatement of total net position.

Property Purchase - The GWCCA did not record all payments for the Metro Atlanta Chamber of Commerce (MAC) property in its COP fund. We proposed an audit adjustment to correct the recording of payments totaling $1 million for the MAC property that were recorded in the GWCC fund instead of the COP fund in GWCCA's financial statements.

Note Disclosures - Certain required note disclosures were initially not included in GWCCA's notes to the financial statements (NTFS). Additionally, certain information presented in the NTFS contained numerous errors that required correction.

Cause:
The GWCCA provided the following reasons for the audit adjustments:

- *Construction in Progress (CIP)* - The CIP adjustment resulted from a misunderstanding about the appropriate documentation to use. The transaction amount, which was recorded via manual journal entry at year end, was initially based on the construction pay application and should have been based on the reimbursement request summary.

- *Installment Purchase Agreement* - The liability adjustment for the installment purchase agreement was not initially made at year end because the official agreement is not in GWCCA's name and the asset (main building) to which improvements were made is not property of GWCCA nor reported in GWCCA's financial statements.

- *Capital Campaign Contributions* - This adjustment resulted from revenue being coded to an account called Capital Contributions, which is mapped to Equity for financial reporting purposes. In addition, a receivable was set up for a pledge that had not been received at year end.

- *Other Post-Employment Benefits (OPEB)* - The OPEB contribution was initially recorded as an expense and set up as a reserve to be used for future retirement expenses associated with the current Dome employees.

- *Property Purchase* - This transaction, whereby the GWCC Fund provided funds for the Metro Atlanta Chamber of Commerce building purchase, was initially set up as payable and receivable between the GWCC Fund and the COP Fund and was not eliminated at year end.

In addition, we noted that not having documented procedures that define GWCCA's entire financial statement preparation process and a change in personnel involved in preparing financial information contributed to the conditions mentioned above.

Effect or Potential Effect:
Prior to adjustment, GWCCA's basic financial statements contained material misstatements and omissions. Without effective controls in place to address the risk of material misstatements, GWCCA cannot ensure accurate financial reporting within its financial statements.

Recommendation:
The GWCCA needs to improve controls over financial reporting by incorporating additional reconciliations, analytical reviews, procedures for determining financial statement amounts, and training for staff that will aid in the timely prevention and detection of significant errors. We recommend GWCCA continue its efforts to assess the risk of material misstatements to the financial statements and to strengthen internal controls over financial reporting by:

- Documenting step-by-step procedures that define the entire financial statement preparation and review process, including procedures to identify and address new or unusual activity.
- Developing a financial statement preparation checklist and a catalog of specific information and data needed to prepare the basic financial statements and the sources from which the information and data are collected.
- Enhancing the analysis performed over areas identified as being more inherently at risk to material error in an effort to minimize the risk of future misstatements.
- Implementing additional levels of review for areas that are inherently more complex and susceptible to human error.
- Developing automated processes within the financial accounting system to alleviate manual efforts involved in preparing the basic financial statements.
- We also recommend GWCCA consider using the Government Finance Officers Association (GFOA) *General Purpose Preparer Checklist* when conducting reviews of its financial statements. This checklist is designed to provide comprehensive guidance for financial statement preparers and covers all Governmental Accounting Standards Board (GASB) pronouncements that have been issued as final documents.

Views of Responsible Officials and Corrective Action Plans:

Construction in Progress (CIP) – This is an entry that is made at year end based on information provided by Atlanta Falcons Stadium Company, LLC. The initial entry was made according to the pay application from the construction contractor, however the document did not include additional costs for fees related to the project. For future financial statements, GWCCA financial management staff will ensure these additional costs are included in the calculation for the entry.

Installment Purchase Agreement – Since GWCCA was not named in the installment purchase agreement and will not have an asset to report once the improvements are made, GWCCA financial management staff consulted with the State Accounting Office (SAO) to determine if the asset and associated liability should be reported. The advice from SAO was to not record the asset and liability as it would be reported by the Georgia Department of Economic Development. Upon audit by the Georgia Department of Audits and Accounts (DOAA), the determination was made that the liability existed based on a verbal agreement for GWCCA to repay the obligation.

Capital Campaign Contribution – A majority of funds collected in FY16 were used to purchase the Metro Chamber of Commerce property. As the funds were collected, they were booked to the Contributed Capital account in the general ledger. The financial statement category for this account in the accounting system was Equity and therefore it was reported directly to net position rather than revenue. The adjusting entry was made for financial statement purposes.

Other Post-Employment Benefits (OPEB) – The Dome Fund made an additional contribution to the OPEB Trust Fund. Initially, this transaction was recorded as an expense and set up as a reserve account. Upon recommendation from the Georgia Department of Audits and Accounts, this was reclassified as a prepaid asset, rather than an expense.

Property Purchase – Due to timing of payments to the Capital Campaign, the GWCC Fund paid a portion of the Metro Atlanta Chamber of Commerce transaction. This payment was initially reported under the GWCC Fund rather than the COP Fund. The adjusting entry has been made for financial statement purposes.

GWCCA management has thoroughly reviewed all of the circumstances surrounding the issues addressed in this finding and will work to implement procedures to define the financial statement preparation and review process, including procedures to identify and address new or unusual activity. A preparation schedule and checklist will be developed to ensure that financial statements may be presented timely and accurately. Additional accounting staff will be part of the review process and will develop procedures that will require fewer manual entries. In the future, GWCCA will solicit guidance from the Department of Audits and Accounts for transactions that are unique/unusual and not part of our daily business model.

Estimated Completion Date: 6/30/17

Contact Person: Janet M. Arsenault
Telephone: 404-223-4220 E-mail: jarsenault@gwcc.com

FS-922-16-02 **Strengthen Logical Access Controls**

Internal Control Impact: Significant Deficiency
Compliance Impact: None

Strengthen controls over logical access within the payroll application.

Background Information:
The Georgia World Congress Center Authority (GWCCA) implemented a new Human Resource Information System (HRIS) in May 2015 to process its human resource (HR) and payroll transactions. Having a good system of internal controls is essential to ensure the reliability and integrity of HR and payroll data.

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 ensures 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.

An effective information system also includes policies and procedures which are important in establishing processes for managing and monitoring user access to the application and defining segregation of duties rules that govern the assignment of access rights to specific roles.

Condition:
Our review of GWCCA's internal payroll audit report and its related HRIS general controls revealed deficiencies related to logical access as described below.

Logical Access
We noted logical access policies and procedures have not been established related to the HRIS. In addition, our review of the internal payroll audit report revealed the following issues related to access rights and segregation of duties occurred during fiscal year 2016:

- Thirteen (13) employees have conflicting access rights within the payroll application as follows:
  - Nine HR employees have access to add new employees, change pay rates, and approve payroll at all levels, which could result in ghost employees being created and processed.
  - Two HR employees have access to add new employees and change pay rates.
  - One accounting employee has access to add employees, change pay rates, approve payroll, and process payroll.
  - One employee has access to change pay rates and process payroll.

- Five employees have inappropriate access to the system administration function within the payroll application. This access allows the ability to provision new users and change roles assigned to existing application users, in addition to changing the user's own access level.

We noted efforts were made after the 2016 fiscal year-end to decrease the number of employees with access to the system administrator role. In addition, GWCC has taken steps to implement role based security in order to limit access and promote segregation of duties as well as implement weekly reviews of personnel changes and additions of new employees.

Cause:
During initial implementation of the new HRIS, access rights were established based on the needs of those responsible for setting up the new system. The GWCCA did not initially designate a system administrator to identify potential risk associated with access rights.

Effect or Potential Effect:
The weaknesses in IT general controls related to logical access exposes GWCCA to unnecessary risk of fraud 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 strengthen controls over logical access within its HRIS to help ensure the

integrity and reliability of its data. The GWCCA should continue to establish policies and procedures, implement role based security, limit access to administrative privileges, and implement mitigating controls where appropriate, such as performing reviews of user activity within the HRIS.

Views of Responsible Officials and Corrective Action Plans:
This issue was originally noted in an internal audit review and an individual in the human resources department was designated as the access rights administrator and has already developed processes around determining access rights by position. Automated reports have been developed to further mitigate risk of fraud and procedures for utilizing the reports will be developed. Administration access has been limited to only two individuals and additional controls will continue to be developed as necessary.

Estimated Completion Date: 6/30/17

Contact Person: Janet M. Arsenault
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