



# *Comprehensive Annual Financial Report*

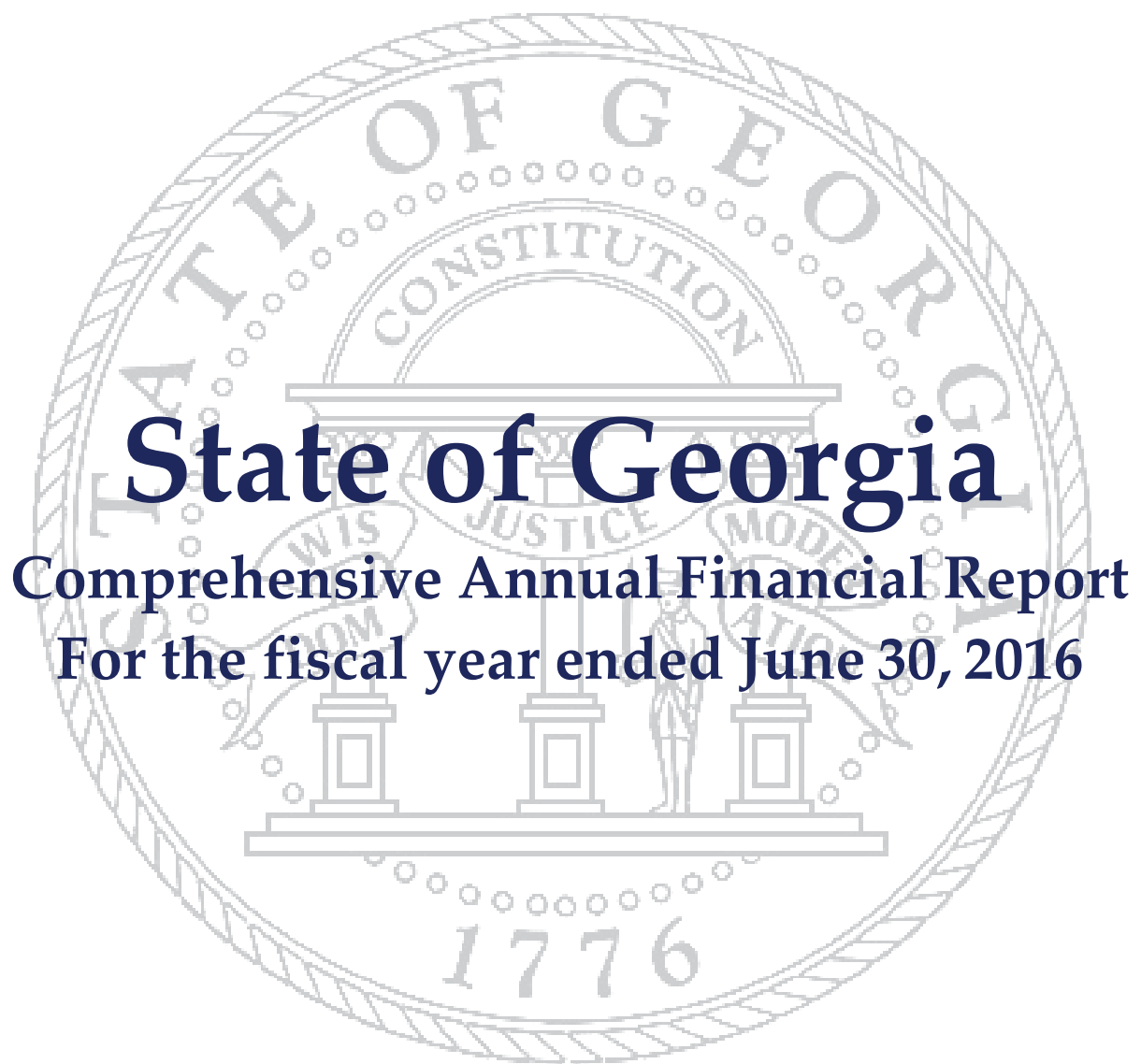
*Fiscal Year Ended June 30, 2016*



*CUMBERLAND ISLAND*  
James R. Freeman, Atlanta, Georgia



*The artwork on the cover and within this document was created by Georgia artists and has been selected to hang in the Office of the Governor as part of a rotating exhibit "The Art of Georgia". For more information about the exhibit, the artists and their work visit [www.gaarts.org](http://www.gaarts.org).*



# **State of Georgia**

**Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2016**

Prepared by:  
State Accounting Office





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For the Fiscal Year Ended June 30, 2016

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# *INTRODUCTORY SECTION*



*BUTTERFLY ENCOUNTER*  
Julie Ann Piwaron, Atlanta, Georgia





**Nathan Deal**  
Governor

**Thomas Alan Skelton**  
State Accounting Officer

---

**December 30, 2016**

**The Honorable Nathan Deal, Governor of Georgia**

**The Honorable Members of the General Assembly**

**Citizens of the State of Georgia**

It is my privilege to present the *Comprehensive Annual Financial Report* (CAFR) on the operations of the State of Georgia (State) for the fiscal year ended June 30, 2016, in accordance with the Official Code of Georgia Annotated (O.C.G.A.), Section 50-5B-3(a)(7). The objective of this report is to provide a clear picture of our government as a single comprehensive reporting entity.

This report consists of management's representations concerning the State's finances and management assumes full responsibility for the completeness and reliability of the information presented. This report reflects my commitment to you, the citizens of the State, and to the financial community to maintain our financial statements in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). Information presented in this report is believed to be accurate in all material respects, and all disclosures have been included that are necessary to enable the reader to obtain a thorough understanding of the State's financial activities.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory section includes this transmittal letter and organization charts for state government. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), audited government-wide and fund financial statements and related notes thereto, required supplementary information, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section contains selected unaudited financial, economic and demographic data on a multi-year basis that is useful in evaluating the economic condition of the government.

### **Internal Controls**

The State's management is responsible for the establishment and maintenance of internal accounting controls which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and financial transactions are properly recorded and adequately documented, and to ensure the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from such control and that the evaluation of those costs and benefits requires estimates and judgments by the State's management.

### **Independent Audit**

The financial statements of significant organizations comprising the State reporting entity have been separately audited and reported on by either the State Auditor or independent certified public accountants. The State Auditor and other independent auditors have performed an examination of the accompanying financial statements for the State and have issued unmodified opinions on the State's basic financial statements included in this report.

Federal regulations also require the State to undergo an annual Single Audit in conformance with the Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (contained in Title 2 U.S. Code of Federal Regulations Part 200). Information related to the Single Audit, including the schedule of expenditures of federal awards, audit findings and recommendations, summary of prior audit findings, and the Independent Auditor's reports, is issued in a separate report and will be available at a later date.

## **Management's Discussion and Analysis**

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the independent auditor's report.

### ***PROFILE OF THE STATE OF GEORGIA***

The State, founded on February 12, 1733, was the last of the original 13 colonies and became the fourth state by ratifying the U.S. Constitution on January 2, 1788. The State is an economic hub of the southeast. Atlanta, the state capital, is the major economic and population center of the State with major regional economic and population centers in Augusta, Savannah, and Macon. The State's economic base is diverse with major port facilities on the coast, agricultural resources throughout the State, manufacturing and service industries, and is a major transportation center with one of the busiest airports in the nation. The State is the eighth largest state with an estimated population of 10 million people.

## **Reporting Entity**

The Constitution of the State of Georgia (Constitution) provides the basic framework for the State's government, which is divided into three separate branches: legislative, executive, and judicial, as shown on the organizational chart on page v. The duties of each branch are outlined in the Constitution and in the O.C.G.A.

For financial reporting purposes, the State's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable, and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Further information about the State's reporting entity can be found in Note 1.B. to the financial statements.

The State and its component units provide a full range of services to its citizens, including education, health and welfare, transportation, public safety, economic development and assistance, culture and recreation, conservation, and general government services. The financial statements present information on the financial position and operations of state government associated with these services as a single comprehensive reporting entity. Accordingly, the various agencies, departments, boards, commissions, authorities, foundations, funds, and accounts of the State that have been identified as part of the primary government or a component unit have been included in this report.

## **Budgetary Control**

The Constitution requires that budgeted expenditures not exceed the estimated revenues and other funding sources, including beginning fund balances. The State's legal level of budgetary control is funding source within program. Annually, the Governor submits a balanced budget by program to the Legislature. In addition to the internal controls previously discussed, the State maintains budgetary controls to ensure compliance with the legal provisions of the State's Appropriation Act, which reflects the Georgia General Assembly's approval of the annual budget. Budgetary control is maintained through a formal appropriation and allotment process.

The State's annual budget is prepared on a statutory basis which is principally the modified accrual basis utilizing encumbrance accounting. The State monitors spending activity to ensure that expenditures do not exceed appropriated amounts by agency at the legal level of control as provided for by the Constitution. Information regarding the State's budgetary process can be found in the Notes to Required Supplementary Information within this report.

The statutory basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with GAAP. Detailed information on the statutory basis of accounting and the results of operations on that basis for fiscal year 2016 can be found in the separately issued Budgetary Compliance Report (BCR) dated November 14, 2016.

## **Budget Stabilization**

The State maintains the Revenue Shortfall Reserve (RSR) which provides for the sound management of excess revenue collections in any given fiscal year. By statute, all surplus state funds existing at the end of each fiscal year shall be reserved and added to the RSR. Funds in the RSR carry forward from fiscal year to fiscal year without reverting to the revenue collections fund within the General Fund at the end of a fiscal year. Additional information about the State's RSR balances can be found in MD&A.

## **Long Term Financial Planning - Debt Management**

Each year, the Georgia State Financing and Investment Commission (Commission) issues its debt management plan (Plan) which provides a five-year projection of the State's general obligation and guaranteed revenue bond issuances and the debt service requirements for all outstanding debt and projected new debt issuances. The Plan covers the current fiscal year and the four succeeding fiscal years. The resulting projected annual debt service requirements are compared to the actual treasury receipts of the State for the immediately preceding fiscal year and projected future treasury receipts of the State to determine the ratio of debt service requirements to the prior year's State treasury receipts. This ratio, which is established by the Constitution at a maximum of 10%, but the Plan is limited to a maximum of 7% by Commission policy, along with several other ratios discussed in the Plan, serves as a guide for the Governor and the General Assembly in their consideration of the authorization of new State debt during the budget preparation, review, and adoption process. Projected issuances of new debt may be increased or decreased depending on the capital needs of the State and projections of estimated treasury receipts in future years.

## **Fiscal Year Budget Overview**

State General Fund Receipts deposited with the Office of the State Treasurer during fiscal year 2016 were \$22.2 billion, which was 2.5% greater than the final amended revenue estimate of \$21.7 billion. State General Fund Receipts were 8.4% greater in fiscal year 2016 than fiscal year 2015 and indicated continued economic growth in Georgia. As a result, the balance of the RSR as of June 30, 2016 was \$2.3 billion.

By statute, up to 1% of fiscal year 2016 net revenue collections (\$222.4 million) may be appropriated from the RSR in fiscal year 2017 for K-12 needs. As of the date of this report, the \$2.3 billion RSR balance has not been adjusted for this potential appropriation. In addition, the Governor may release, for appropriation in a subsequent year, funds in excess of 4% of current year (fiscal year 2016) revenue collections.

## *ECONOMIC FACTORS AND OUTLOOK*

### **Introduction**

Georgia's economy is experiencing a moderate recovery with growth in employment, home prices, and residential construction permits. It appears that the Great Recession may finally be in the rear view mirror. While a moderate economic recovery is expected to continue, there are significant risks to continued growth, with federal fiscal policy the biggest threat.

### **Georgia Economy**

Many factors indicate that the State's economy is continuing to recover from the Great Recession. Some of these indicators include job growth, personal income growth, lower initial unemployment claims and the recovery of home prices. Additional information on the economic outlook for the State including detailed information on employment, personal income, and housing markets can be found in the State's MD&A which can be found immediately following the independent auditor's report.

## *AWARDS AND ACKNOWLEDGEMENTS*

The Government Finance Officers Association (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the State of Georgia for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate. We are committed to this effort, and we intend to maintain a highly qualified and professional staff to make this certification possible.

The preparation of this report would not have been possible without the dedicated and efficient service of the entire staff of the State Accounting Office. We also express our appreciation to the fiscal officers throughout state government for their dedicated efforts in assisting us in the preparation of this report.

Respectfully submitted,



Thomas Alan Skelton  
State Accounting Officer





**JUDICIAL**

Supreme Court  
 Court of Appeals  
 Superior Courts  
 District Attorneys  
 Judicial Agencies

**EXECUTIVE**

**Constitutional Officers**

Lieutenant Governor  
 Public Service Commission  
 State School Superintendent  
 Secretary of State  
 Commissioner of Insurance  
 Attorney General  
 Commissioner of Agriculture  
 Commissioner of Labor

**Governor**

Office of Planning and Budget  
 Governor's Office

**LEGISLATIVE**

**General Assembly**  
 Senate  
 House of Representatives

Legislative Agencies

Department of Audits and Accounts

- Department of Administrative Services
- Department of Banking and Finance
- Department of Behavioral Health & Developmental Disabilities
- Department of Community Affairs
- Department of Community Health
- Department of Community Supervision
- Department of Corrections
- Department of Defense
- Department of Driver Services
- Department of Early Care and Learning
- Department of Economic Development
- Department of Education
- Department of Human Services
- Department of Juvenile Justice
- Department of Natural Resources
- Department of Public Health
- Department of Public Safety
- Department of Revenue
- Department of Transportation
- Department of Veterans' Services
- Employees' Retirement System of Georgia
- Georgia Bureau of Investigation
- Georgia Forestry Commission
- Georgia Lottery Corporation
- Georgia State Financing and Investment Commission
- Georgia Student Finance Commission
- Georgia Technology Authority
- Office of the State Treasurer
- State Accounting Office
- State Board of Pardons and Paroles
- State Board of Workers' Compensation
- Technical College System of Georgia
- Teachers' Retirement System of Georgia
- University System of Georgia
- Examining and Licensing Boards
- Advisory Boards
- Other Executive Agencies
- Interstate Agencies
- Authorities





#### **Executive:**

Nathan Deal .....	<i>Governor</i>
Brian P. Kemp .....	<i>Secretary of State</i>
Sam Olens .....	<i>Attorney General</i>
Mark Butler .....	<i>Commissioner of Labor</i>
Richard Woods .....	<i>State Superintendent of Schools</i>
Ralph T. Hudgens .....	<i>Commissioner of Insurance</i>
Gary W. Black .....	<i>Commissioner of Agriculture</i>
Chuck Eaton (Chairman) .....	<i>Public Service Commissioner</i>
Tim Echols .....	<i>Public Service Commissioner</i>
H. Doug Everett .....	<i>Public Service Commissioner</i>
Lauren "Bubba" McDonald, Jr. ....	<i>Public Service Commissioner</i>
Stan Wise .....	<i>Public Service Commissioner</i>

#### **Legislative:**

Casey Cagle .....	<i>Lieutenant Governor/President of the Senate</i>
David Ralston .....	<i>Speaker of the House of Representatives</i>

#### **Judicial:**

Hugh P. Thompson .....	<i>Chief Justice of the Supreme Court</i>
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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**State of Georgia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



## **ACKNOWLEDGEMENTS**

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016 was prepared by:

### **STATE ACCOUNTING OFFICE**

Kris Martins, Deputy State Accounting Officer, Financial Reporting

### **STATEWIDE ACCOUNTING AND REPORTING**

Tanya Astin	Metsehet Ketsela
Chelsea Bennett	Rachael Krizanek
Renita Coleman	Dan Lawson
Bobbie R. Davis	Troy Senter
Zeina Diallo	Wylene Swinney
Shakierra Ellis	Ellen K. Tate
Tessica Harvey	Rhonda Twyman
Sharon Hill	Jennifer Williams
Pamela Hintze	Keri Williams

### **SPECIAL APPRECIATION**

The State Accounting Office would like to extend special appreciation to all fiscal and accounting personnel throughout the State who contributed the financial information for their agencies. Additionally, the Division of Statewide Accounting and Reporting would like to acknowledge the efforts given by all of the functional and support personnel of the State Accounting Office.





# *FINANCIAL SECTION*



*CHATAHOOCHEE HILLS EVENTING*  
Bonnie M. Moret, Atlanta, Georgia





# DEPARTMENT OF AUDITS AND ACCOUNTS

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

Atlanta, Georgia 30334-8400

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

## Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia  
and  
Members of the General Assembly of the State of Georgia

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Georgia (the "State") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Georgia'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 audits. We did not audit the financial statements of the following entities:

Employees' Retirement System of Georgia	Georgia Ports Authority
Georgia College & State University Foundation, Inc.	Teachers Retirement System of Georgia
Georgia Environmental Finance Authority	Georgia Tech Athletic Association
Georgia State Financing and Investment Commission	Georgia Tech Facilities, Inc.
Georgia Housing and Finance Authority	Georgia Tech Foundation, Inc.
Kennesaw State University Foundation, Inc.	Georgia Tech Research Corporation
Georgia Lottery Corporation	VSU Auxiliary Service Real Estate Foundation, Inc.
Georgia Southern University Housing Foundation, Inc.	Georgia Gwinnett College Foundation, Inc.
MCG Health System, Inc.	University of Georgia Athletic Association, Inc.
Medical College of Georgia Foundation, Inc.	University of Georgia Foundation
Georgia State University Foundation	University System of Georgia Foundation, Inc.

Middle Georgia State College Real Estate Foundation, Incorporated  
 The Medical College of Georgia Physicians Practice Group Foundation  
 University of Georgia Research Foundation

University of North Georgia Real Estate Foundation, Incorporated  
 University of West Georgia Real Estate Foundation, Inc.

Those financial statements represent part or all of the total assets or deferred outflows of resources and revenues or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, the Governmental fund-General Obligation Bond Projects fund, the Higher Education fund and the aggregate remaining fund information as reported in the following table:

<b>Opinion Unit</b>	<b>Percent of Total Assets/Deferred Outflows of Resources</b>	<b>Percent of Total Revenues/ Additions</b>
Governmental Activities	3%	3%
Business-type Activities	2%	0%
Aggregate Discretely Presented Component Units	86%	89%
Governmental Fund – General Obligation Bond Projects Fund	99%	99%
Proprietary Fund – Higher Education Fund	1%	0%
Aggregate Remaining Fund Information	87%	24%

Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the above mentioned organizations and component units, are based solely on the reports of the other auditors.

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. The following financial statements, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

Georgia College & State University Foundation, Inc.  
 Kennesaw State University Foundation, Inc.  
 Georgia Lottery Corporation  
 Georgia State University Foundation  
 Medical College of Georgia Foundation, Inc.  
 Georgia Tech Athletic Association  
 Georgia Southern University Housing Foundation, Inc.  
 University of North Georgia Real Estate Foundation, Incorporated  
 Georgia Gwinnett College Foundation, Inc.

Georgia Tech Facilities, Inc.  
 Georgia Tech Foundation, Inc.  
 University of Georgia Athletic Association, Inc.  
 University of Georgia Foundation  
 University System of Georgia Foundation, Inc.  
 VSU Auxiliary Service Real Estate Foundation, Inc.  
 University of West Georgia Real Estate Foundation, Inc.  
 The Medical College of Georgia Physicians Practice Group Foundation  
 Middle Georgia State College Real Estate Foundation, Incorporated

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 State'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 State'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. Georgia statutes, in addition to audit responsibilities, entrust other responsibilities to the Department of Audits and Accounts. Those responsibilities include service by the State Auditor on the governing boards of various agencies, authorities, commissions, and component units of the State. The Department of Audits and Accounts elected not to provide audit services for the organizational units of the State of Georgia associated with these boards. 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, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

#### *Change in Accounting Principles*

As discussed in Note 2 to the financial statements, the State adopted, in fiscal year 2016, Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to these matters.

As discussed in Note 2, the business-type activities, the Higher Education fund, the Nonmajor Enterprise funds and the component unit financial statements have been restated due to various changes in accounting principles. Our opinions are not modified with respect to these matters.

#### *Correction of 2015 Financial Statements*

As discussed in Note 2 to the financial statements, the fiscal year 2015 beginning balances of the governmental activities, the General Fund, General Obligation Bond Projects fund, Special Revenue funds, the Higher Education fund, Internal Service funds and component unit financial statements have been restated to correct misstatements. Our opinions are not modified with respect to these matters.

### *Change in Reporting Entity*

In addition, as discussed in Note 2 to the financial statements, the business-type activities, the Higher Education fund, the Nonmajor Enterprise funds and component unit financial statements have been restated due to the evaluation and re-evaluation of certain component unit determinations. Our opinions are 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 on pages 9 through 24, budgetary comparison information on pages 176 through 181, information on other postemployment benefits on page 182, claims development information for the public entity risk pool on page 183, and information on defined benefit pension plans on pages 184 through 196 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will also issue our report dated December 30, 2016, on our consideration of State of Georgia'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. That report will be issued under separate cover in the State's *Single Audit Report*. 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 State of Georgia's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive style with a prominent initial "G".

Greg S. Griffin  
State Auditor

December 30, 2016





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MANAGEMENT'S  
DISCUSSION AND ANALYSIS

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## INTRODUCTION

The *Management's Discussion and Analysis* (MD&A) of the State of Georgia's *Comprehensive Annual Financial Report* (CAFR) presents an overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2016. It should be read in conjunction with the letter of transmittal, located in the Introductory Section of this report, and the State's financial statements, including the notes to the financial statements, which are an integral part of the statements that follow this narrative.

## FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

### Government-wide

- Net Position. Total assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources by \$21.5 billion (reported as "net position"). Contributing to this amount, a deficit of \$6.8 billion was reported as "unrestricted net position."
- Changes in Net Position. The State's total net position increased by \$3.2 billion in fiscal year 2016 compared to the balances reported in the prior year. More specifically, net position of governmental activities increased by \$2.7 billion while net position of business-type activities increased by \$576.3 million.
- Excess of Revenues over Expenses – Governmental Activities. During the fiscal year, the State's total revenues for governmental activities, which totaled \$41.0 billion, were \$5.4 billion more than total expenses (excluding transfers). Expenses totaled \$35.5 billion. General revenues, which are primarily made up of tax collections, totaled \$22.9 billion, and program revenues, which primarily come from operating grants and contributions, totaled \$18.1 billion.

### Fund Level

- Governmental Funds – Fund Balances. The governmental funds reported combined ending fund balances of \$7.6 billion. This amount represents an increase of \$1.5 billion, or 24.7% (as restated), when compared with the prior year. Of this total fund balance, \$66.9 million, or 0.9%, represents nonspendable fund balance; \$5.4 billion, or 70.1%, represents restricted fund balance; \$9.3 million, or 0.1%, represents committed fund balance; \$415.0 million, or 5.4%, represents assigned fund balance; and \$1.8 billion, or 23.5%, represents unassigned fund balance.
- General Fund – Fund Balances. The General Fund ended the fiscal year with a total fund balance of \$6.3 billion, of which \$1.8 billion was classified as unassigned fund balance. Total revenues increased by \$1.6 billion, or 4.1%, over the prior year.
- Enterprise Funds – Net position. The Enterprise Funds ended the fiscal year with a total net position of \$5.7 billion. More specifically, the areas with significant net positions were the Higher Education Fund of \$3.7 billion, the Unemployment Compensation Fund of \$1.4 billion, and the State Health Benefit Plan of \$571.7 million.

### Long-term Debt

The long-term bond debt of the primary government decreased \$717.9 million, or 6.0%, during the fiscal year. The decrease represents the net difference between new issuances, maturing principal payments, the net effect of refunding bonds and prior period adjustments. The amount owed for general obligation bonds increased by \$126.1



## Management's Discussion and Analysis

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million, or 1.3%, for the primary government, while the amount owed for revenue bonds decreased \$843.9 million, or 32.7%, for the primary government. The change in total long-term debt, resulting primarily from revenue bonds, includes \$624.9 million in restatements. The State issued new bonded debt during the year in the amount of \$1.3 billion for the primary government. The State continues to balance the need to issue debt for capital improvements against State management's desire to maintain a conservative approach to debt management.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This financial section of this report includes four parts: (1) management's discussion and analysis, (2) basic financial statements, (3) required supplementary information, and (4) other supplementary information. The Basic Financial Statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

### Government-wide Financial Statements – Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities together comprise the government-wide financial statements and provide a broad overview of the State's financial activities as a whole. These statements are prepared with a long-term focus using the full-accrual basis of accounting, similar to private-sector businesses. This means all revenues and expenses associated with the fiscal year are recognized regardless of when cash is spent or received, and all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's net position, which is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. These statements also include how these items have changed from the prior year. Over time, increases and decreases in net position measure whether the State's overall financial condition is improving or declining. In evaluating the State's overall condition, however, additional non-financial information should be considered, such as the State's economic outlook, changes in demographics, and the condition of its capital assets and infrastructure. The government-wide statements report three activities:

- Governmental Activities. The majority of the State's basic services fall under this activity, including services related to general government, education, health and welfare, transportation, public safety, economic development and assistance, culture and recreation, and conservation. Taxes and intergovernmental revenues are the major funding sources for these programs.
- Business-Type Activities. The State operates certain activities similar to private-sector businesses by charging fees to customers to recover all or a significant portion of their costs of providing goods and services. The Unemployment Compensation Fund, the self-insured State Health Benefit Plan (SHBP), and the Higher Education Fund are some examples of business-type activities. The Higher Education Fund consists of the University System of Georgia, the Technical College System of Georgia, and certain foundations which support higher education and meet the criteria for blending.
- Component Units. Certain organizations are legally separate from the State; however, the State remains financially accountable for them. The Georgia Environmental Finance Authority, Georgia Housing and Finance Authority, and Georgia Lottery Corporation are examples of component units.



## Management's Discussion and Analysis

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### **Fund Financial Statements – Reporting the State’s Most Significant Funds**

The fund financial statements provide detailed information about individual major funds, not the State as a whole, and are located in the Basic Financial Statements – Fund Financial Statements section. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses funds to ensure and demonstrate compliance with finance-related and legal requirements. All of the State funds are divided into three types, each of which use a different accounting approach and should be interpreted differently.

- **Governmental Funds.** Most of the basic services provided by the State are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, and focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These statements provide a detailed short-term view of the State’s finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.
- **Proprietary Funds.** The Proprietary funds, which include enterprise funds and internal service funds, account for state activities that are similar to private-sector businesses. Like government-wide statements, proprietary fund statements are presented using the full-accrual basis of accounting. Activities whose customers are mostly outside of state government are accounted for in enterprise funds and are the same functions reported as business-type activities. The enterprise fund financial statements provide more detail and additional information than in the government-wide statements, such as cash flows. Activities whose customers are mostly other state organizations are accounted for in internal service funds. The internal service fund activities are allocated proportionately between the governmental activities (predominately) and the business-type activities in the government-wide statements based on the benefit of the services provided to those activities.
- **Fiduciary Funds.** These funds are used to account for resources held for the benefit of parties outside the state government. The State is responsible for ensuring these assets are used for their intended purposes. Fiduciary funds use full-accrual accounting but are not reflected in the government-wide financial statements because the resources from these funds are not available to support the State’s own programs.

### **Reconciliation between Government-wide and Fund Statements**

This report also includes two schedules that reconcile and explain the differences between the amounts reported for the governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with the amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). The schedules are located in the Basic Financial Statements – Fund Financial Statements – Governmental Funds section. The following explanations represent some of the reporting differences between the two statements:

- Capital outlays result in capital assets on the government-wide statements but are reported as expenditures in the governmental fund financial statements.
- Bond proceeds are recorded as long-term debt on the government-wide statements but are listed as current financial resources on the governmental fund statements.



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### Notes to the Financial Statements

The Notes to the Financial Statements located at the end of the Basic Financial Statements section provide additional information essential to a complete understanding of the financial statements. The notes are applicable to both the government-wide financial statements and the fund financial statements.

### Required and Other Supplementary Information

In addition to this MD&A, the Basic Financial Statements are followed by a section containing other required supplementary information which further explains and supports the information in the financial statements. This section of the report includes: (1) a budgetary comparison schedule of the General Fund (Budget Fund), including reconciliations of revenues and expenditures on the statutory and GAAP basis for the fiscal year, (2) the State's funding progress for other postemployment benefits, (3) information on the State's public entity risk pool and (4) information on the State's defined benefit pension plans. Other supplementary information includes combined financial statements for the State's non-major governmental funds, internal service funds, fiduciary funds and non-major component units. The total columns of these combined financial statements carry forward to the applicable fund financial statements.

## **FINANCIAL ANALYSIS OF THE STATE AS A WHOLE**

### Net Position

Governmental entities are required by Generally Accepted Accounting Principles (GAAP) to report on their net position. The Statement of Net Position presents the value of all of the State's assets and deferred outflows of resources, as well as all liabilities and deferred inflows of resources, with the difference reported as net position.

As shown in Table 1 on the following page, the State reported a total net position of \$21.5 billion, which is comprised of \$21.9 billion in net investment in capital assets, \$6.3 billion in restricted net position, and an unrestricted portion of net position deficit of \$6.8 billion.

The unrestricted portion of net position is a result of the State continuing its practice of incurring debt for the purposes of capital acquisition and construction on behalf of county and independent school systems. Since the incurrence of this debt does not result in capital assets acquisitions for governmental activities, the debt is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category. The unrestricted deficit balance of the primary government however has been adjusted for the governmental activities outstanding debt balances related to capital assets reported in business-type activities.

Based on this measurement, no funds were available for discretionary purposes. However, a significant contributing factor is that governments recognize long-term liabilities on the government-wide statement of net position as soon as a liability has been incurred. Accordingly, the State recognizes long-term liabilities (such as general obligation debt, net pension liabilities, and compensated absences) on the statement of net position. While financing and budgeting functions focus on when such liabilities will be paid, this statement focuses on when a liability has been incurred. The following table was derived from the current and prior year government-wide Statements of Net Position.

*(Table on next page)*



Management's Discussion and Analysis

(Unaudited)

<b>Table 1 - Net Position</b>						
As of June 30, 2016 and 2015 (in thousands)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>						
Non-Capital Assets	\$ 14,535,650	\$ 12,308,106	\$ 4,864,408	\$ 4,264,137	\$ 19,400,058	\$ 16,572,243
Net Capital Assets	20,783,996	20,320,146	10,817,410	10,691,378	31,601,406	31,011,524
<b>Total Assets</b>	<b>35,319,646</b>	<b>32,628,252</b>	<b>15,681,818</b>	<b>14,955,515</b>	<b>51,001,464</b>	<b>47,583,767</b>
<b>Deferred Outflows of Resources</b>	<b>909,298</b>	<b>805,074</b>	<b>422,951</b>	<b>376,022</b>	<b>1,332,249</b>	<b>1,181,096</b>
<b>Liabilities</b>						
Noncurrent Liabilities	14,959,916	14,645,292	8,777,749	8,033,040	23,737,665	22,678,332
Current Liabilities	4,827,101	4,350,066	990,509	1,117,391	5,817,610	5,467,457
<b>Total Liabilities</b>	<b>19,787,017</b>	<b>18,995,358</b>	<b>9,768,258</b>	<b>9,150,431</b>	<b>29,555,275</b>	<b>28,145,789</b>
<b>Deferred Inflows of Resources</b>	<b>475,037</b>	<b>1,121,655</b>	<b>826,514</b>	<b>1,247,418</b>	<b>1,301,551</b>	<b>2,369,073</b>
<b>Net Position</b>						
Net Investment in Capital Assets	17,213,380	16,562,899	7,529,660	7,344,726	21,892,080	20,926,469
Restricted	4,499,014	3,668,030	1,837,521	1,546,723	6,336,535	5,214,753
Unrestricted	(5,745,504)	(6,914,616)	(3,857,184)	(3,957,761)	(6,751,728)	(7,891,221)
<b>Total Net Position</b>	<b>\$ 15,966,890</b>	<b>\$ 13,316,313</b>	<b>\$ 5,509,997</b>	<b>\$ 4,933,688</b>	<b>\$ 21,476,887</b>	<b>\$ 18,250,001</b>
Percent Change in Total:						
Net Position from Prior Year	19.9%		11.7%		17.7%	
Percent Change after Restatements	21.0%		13.2%		18.9%	

Note: Prior year adjustments recorded in the current year have not been reflected in the prior year column in the table above.

Net position for governmental activities as originally reported increased by \$2.7 billion, or 19.9%, but increased by \$2.8 billion, or 21.0%, when adjusted for restatements. The deficit in unrestricted governmental activities net position exists primarily due to the recognition of net pension liabilities, and the State's practice of issuing debt on behalf of local education agencies (not included in the State) and business-type activities for the construction of capital assets. The debt reduces net position, but the resulting asset is not present within net position of governmental activities to counterbalance the liability.

Net position for business-type activities as originally reported increased by \$576.3 million, or 11.7%, but increased by \$642.7 million, or 13.2%, when adjusted for restatements. The deficit in unrestricted business-type activities net position is primarily due to the recognition of net pension liabilities.

**Changes in Net Position**

The revenue and expense information, as shown in Table 2 on the following page, was derived from the Government-wide Statement of Activities and summarizes the State's total revenues, expenses and changes in net position for fiscal year 2016. Consistent with the prior year, the State received a majority of its \$50.1 billion in revenues from operating grants and contributions and taxes. Expenses of the primary government during fiscal year 2016 were \$46.7 billion with the increase over the prior year driven largely by education and healthcare costs. As a result of the excess revenues over expenses, the total net position of the primary government increased by \$3.4 billion, net of transfers.

(Table on next page)



## Management's Discussion and Analysis

(Unaudited)

**Table 2 - Changes in Net Position**

For the Years Ended June 30, 2016 and 2015 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2015 to 2016
	2016	2015	2016	2015	2016	2015	
<b>Revenues:</b>							
Program Revenues:							
Charges for Services	\$ 1,333,461	\$ 1,172,990	\$ 6,427,516	\$ 6,549,340	\$ 7,760,977	\$ 7,722,330	0.5%
Operating Grants/Contributions	15,372,385	15,758,799	2,636,285	2,611,058	18,008,670	18,369,857	(2.0%)
Capital Grants/Contributions	1,377,654	1,182,723	60,543	102,216	1,438,197	1,284,939	11.9%
General Revenues:							
Taxes	21,002,366	19,171,534	-	-	21,002,366	19,171,534	9.5%
Lottery for Education - Lottery Proceeds	1,097,823	980,653	-	-	1,097,823	980,653	11.9%
Nursing Home and Hospital Provider Fees	434,126	454,372	-	-	434,126	454,372	(4.5%)
Tobacco Settlement Funds	137,035	138,385	-	-	137,035	138,385	(1.0%)
Unrestricted Investment Income	33,936	9,103	-	-	33,936	9,103	272.8%
Unclaimed Property	153,257	156,360	-	-	153,257	156,360	(2.0%)
Other	12,916	9,646	-	-	12,916	9,646	33.9%
<b>Total Revenues</b>	<b>40,954,959</b>	<b>39,034,565</b>	<b>9,124,344</b>	<b>9,262,614</b>	<b>50,079,303</b>	<b>48,297,179</b>	<b>3.7%</b>
<b>Expenses:</b>							
General Government	1,385,643	1,735,174	-	-	1,385,643	1,735,174	(20.1%)
Education	12,024,645	11,408,408	-	-	12,024,645	11,408,408	5.4%
Health and Welfare	16,795,986	16,589,708	-	-	16,795,986	16,589,708	1.2%
Transportation	1,917,223	1,904,464	-	-	1,917,223	1,904,464	0.7%
Public Safety	2,145,769	1,994,413	-	-	2,145,769	1,994,413	7.6%
Economic Development and Assistance	509,074	590,676	-	-	509,074	590,676	(13.8%)
Culture and Recreation	279,772	236,922	-	-	279,772	236,922	18.1%
Conservation	59,409	54,280	-	-	59,409	54,280	9.4%
Interest and Other Charges on Long-term Debt	424,595	678,888	-	-	424,595	678,888	(37.5%)
Higher Education Fund	-	-	8,576,540	8,323,884	8,576,540	8,323,884	3.0%
State Health Benefit Plan	-	-	2,153,073	2,025,638	2,153,073	2,025,638	6.3%
Unemployment Compensation Fund	-	-	379,714	458,112	379,714	458,112	(17.1%)
Nonmajor Enterprise Funds	-	-	11,587	158,809	11,587	158,809	(92.7%)
<b>Total Expenses</b>	<b>35,542,116</b>	<b>35,192,933</b>	<b>11,120,914</b>	<b>10,966,443</b>	<b>46,663,030</b>	<b>46,159,376</b>	<b>1.1%</b>
Increase (Decrease) in Net Position							
Before Contributions and Transfers	5,412,843	3,841,632	(1,996,570)	(1,703,829)	3,416,273	2,137,803	
Contributions to Permanent Endowments	-	-	137	-	137	-	
Transfers	(2,639,131)	(2,657,978)	2,639,131	2,657,978	-	-	
<b>Change in Net Position</b>	<b>2,773,712</b>	<b>1,183,654</b>	<b>642,698</b>	<b>954,149</b>	<b>3,416,410</b>	<b>2,137,803</b>	
<b>Net Position July 1 - Restated</b>	<b>13,193,178</b>	<b>12,132,659</b>	<b>4,867,299</b>	<b>3,979,539</b>	<b>18,060,477</b>	<b>16,112,198</b>	
<b>Net Position June 30</b>	<b>\$ 15,966,890</b>	<b>\$ 13,316,313</b>	<b>\$ 5,509,997</b>	<b>\$ 4,933,688</b>	<b>\$ 21,476,887</b>	<b>\$ 18,250,001</b>	<b>17.7%</b>

### Governmental Activities

The State's total revenues for governmental activities from all sources increased \$1.9 billion, or 4.9%. The primary driver of this change was an increase in tax revenue totaling \$1.8 billion which continues to reflect the overall economic growth of the state economy. Motor fuel revenues increased \$458.5 million, of which \$161.3 million was related to the "Transportation Funding Act of 2015", which was enacted July 1, 2015 to provide additional revenue for transportation purposes within the State. In addition, lottery for education revenues increased \$117.2 million. Overall program revenues were slightly lower by \$31.0 million or 0.2%.



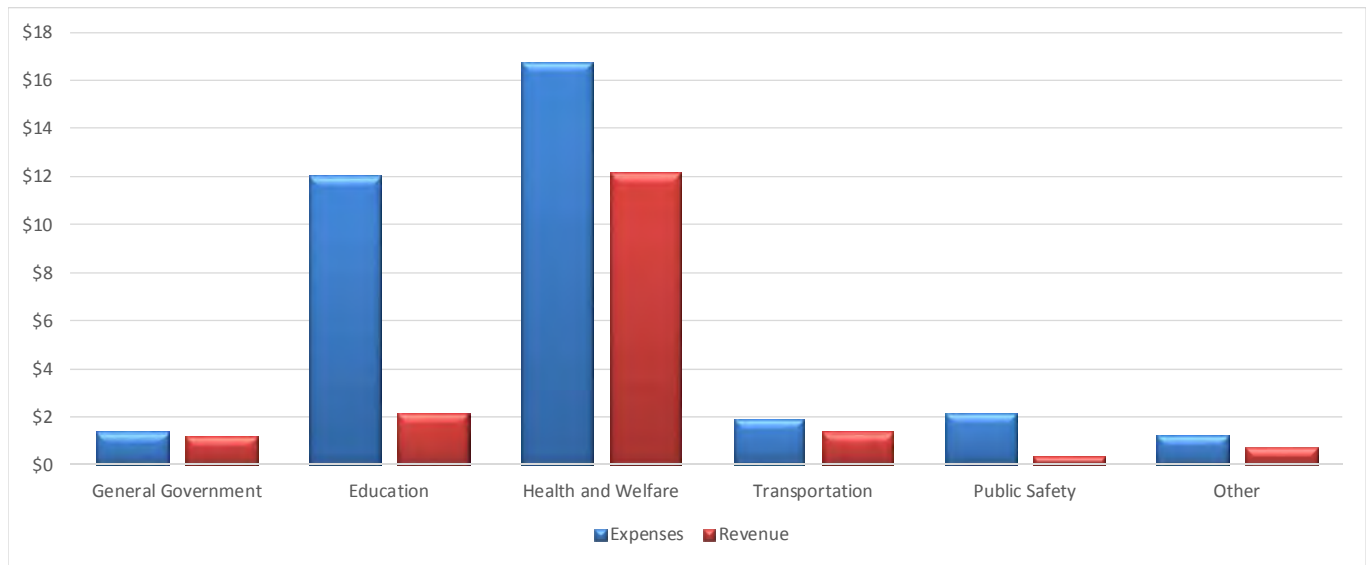


## Management's Discussion and Analysis

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The following table shows to what extent program revenues (charges for services and grants) covered program expenses. For fiscal year 2016, program revenues covered \$18.1 billion, or 50.9% of the \$35.5 billion in total program expenses. For the remaining \$17.4 billion, or 49.1% of the total program expenses, the State relied on taxes and other general revenues.

**Table 3 – Net Program Revenue**  
For the Years Ended June 30, 2016 (in billions)



### Business-Type Activities

Net position of business-type activities (as restated) increased by \$642.7 million, or 13.2%, during the fiscal year. In the prior year, the net position increase was \$954.2 million, resulting in the current year net position increase being less than the prior year's increase by \$311.5 million. Accordingly, total revenues from the State's business-type activities decreased by \$138.3 million, or 1.5%, and total expenses for the State's business-type activities increased by \$154.5 million, or 1.4% from prior year. These changes were primarily due to a decrease in revenue from operating grants and contributions and a corresponding increase in benefit payments within the State Health Benefit Fund.

In fiscal year 2016, business-type activities expenses were funded 82.0% from program revenues compared to 84.5% in the prior year. The amount of funding for these activities coming from program revenues declined from \$9.3 billion the prior year to \$9.1 billion in fiscal year 2016. The remaining expenses were funded by \$2.6 billion in transfers from governmental activities, of which the majority went to the Higher Education Fund.



## **FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS**

### **Fund Balances**

At June 30, 2016, the State's governmental funds reported a combined ending fund balance of \$7.6 billion. Of this amount, \$66.9 million, or 0.9%, is nonspendable, either due to its form or legal constraints; and \$5.4 billion, or 70.1%, is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Net position that is restricted by the Constitution principally includes motor fuel taxes that can be used only to build roads and bridges and lottery funds held for education purposes. Restrictions by external parties include general obligation bonds that can only be used for authorized capital projects. Additionally, \$9.3 million, or 0.1% of total fund balance, has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the General Assembly and the Governor. An additional \$415.0 million, or 5.4%, of total fund balance has been assigned to specific purposes, as expressed by the intent of State management. The remaining \$1.8 billion, or 23.5% of fund balance, is unassigned.

### **General Fund**

The General Fund is the chief operating fund of the State and had a total fund balance of \$6.3 billion as of fiscal year end. The net change in fund balance (as restated) during the fiscal year was \$1.3 billion, or 26.7%. The General Fund ended the year with an unrestricted, unassigned fund balance of \$1.8 billion. The following major revenues, expenditures and other sources/uses contributed to the change in fund balance:

#### **Revenues**

Prior to restatements, revenues of the General Fund totaled \$40.2 billion in the fiscal year, for an increase of \$1.6 billion, or 4.1%. The primary factor contributing to this change was a \$1.5 billion increase in tax revenues from fiscal year 2015 as a result of continued overall growth in the Georgia economy. This growth was consistent with the expected growth in taxes contemplated by the fiscal year 2016 budget.

Other factors contributing to this overall increase were:

- Motor fuel revenues increased \$458.5 million, of which \$161.3 million was related to the "Transportation Funding Act of 2015", which was enacted July 1, 2015 to provide additional revenue for transportation purposes within the State.
- Licenses and permits increased \$171.3 million.
- Intergovernmental revenues decreased by \$132.3 million.
- Lottery for education proceeds increased by \$117.2 million as a result of record annual sales and profits by the Georgia Lottery Corporation.

#### **Expenditures**

Expenditures of the General Fund totaled \$35.0 billion in the fiscal year, for an increase of \$798.1 million over the prior year. The State continues to focus additional budgetary funding in the areas of education, healthcare, transportation, and public safety. For example, the two largest factors contributing to this change include:

- Education expenses increased \$575.3 million, which is consistent with additional budgeted funds of \$519.6 million in additional funds for K-12 education to fund enrollment growth and teacher training and experience while also allowing local systems additional resources to increase instructional days, reduce teacher furloughs, or enhance teacher salaries.



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- Health and welfare expenses increased \$158.5 million, which is consistent with the national trend of increasing healthcare costs.

### **Capital Project Fund - General Obligation Bond Projects Fund**

Fund balance in the General Obligation Bond Projects Fund increased by \$166.5 million or 20.6% from the prior year. This was primarily the result of general revenues, debt issuances, and transfers in exceeding capital expenditures and transfers out. Capital outlay expenditures decreased by \$244.1 million from the prior year.

## **FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS**

### **Higher Education Fund**

The net position of the Higher Education Fund (as restated) increased \$246.2 million, or 7.2%. Net Investment in Capital Assets increased by \$199.1 million, or 2.7%. Restricted net position decreased \$85.1 million, primarily due to a decrease in net position for Higher Education. The unrestricted net position deficit decreased by \$189.4 million.

Operating revenues of the Higher Education Fund increased by \$243.8 million, or 5.0%, primarily due to increases in operating grants and contributions of \$56.3 million and net student tuition and fees revenue of \$144.4 million. In addition, the Higher Education Fund received \$2.4 billion in transfers from the General Fund, for an increase of \$88.8 million, or 3.9%, compared to the prior year. Fiscal year 2016 operating expenses increased \$116.1 million, or 1.4%, compared to the prior year.

### **State Health Benefit Plan**

Operating revenues for SHBP decreased by \$242.8 million and operating expenses increased by \$127.4 million, which resulted in an operating income loss of \$32.0 million. The reduction in operating revenues is due to a shift in funding of \$479.4 million from the SHBP enterprise fund to the fiduciary funds during fiscal year 2016. The increase in operating expenses is primarily due to employee migration to higher cost plans, in addition to medical trends.

### **Unemployment Compensation Fund**

Georgia's unemployment rate fell by 0.7 percentage points during fiscal year 2016. As a result, unemployment claims were slightly lower and unemployment benefit payments continued to decline annually and decreased \$78.4 million, or 17.1%, this year as compared to the prior year. In addition, employer unemployment rates were reduced and the corresponding federal revenue and unemployment tax revenue decreased by \$63.7 million, or 7.5%. Employer taxes and other revenues exceeded benefit payments by \$428.1 million.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The State's capital assets increased by a net \$589.9 million, or 1.9%, during the year. The change consisted of a net decrease in infrastructure of \$174.7 million, as well as net increases in land, buildings, machinery and equipment, and construction in progress of \$161.7 million, \$134.1 million, \$15.5 million, and \$471.6 million respectively.



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(Unaudited)

At June 30, 2016, the State had General Fund commitments of \$2.3 billion and capital project fund commitments of \$522.4 million for highway infrastructure and bridge construction. The State Road and Tollway Authority had \$700.7 million of commitments, which is primarily due to \$428.9 million for the I-285/GA 400 Interchange and \$253.4 million for the Northwest Corridor Express Lane Project. Additionally, the Board of Regents had \$131.2 million for various construction and renovation projects.

Additional information on the State's capital assets can be found in *Note 9 – Capital Assets* of the Notes to the Financial Statements section of this report.

<b>Table 4 - Capital Assets, Net of Accumulated Depreciation</b>						
As of June 30, 2016 and 2015 (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Buildings/Building Improvements	\$ 1,988,560	\$ 1,988,937	\$ 8,816,807	\$ 8,682,301	\$ 10,805,367	\$ 10,671,238
Improvements Other Than Buildings	70,126	65,991	284,023	302,824	354,149	368,815
Infrastructure	11,219,892	11,382,306	223,220	235,476	11,443,112	11,617,782
Intangibles - Other Than Software	119,888	115,550	-	-	119,888	115,550
Land	3,885,844	3,732,798	461,805	453,184	4,347,649	4,185,982
Library Collections	-	-	180,185	179,140	180,185	179,140
Machinery and Equipment	219,891	215,441	501,084	490,062	720,975	705,503
Software	72,019	76,526	52,888	60,132	124,907	136,658
Works of Art and Collections	1,391	1,379	54,644	51,983	56,035	53,362
Construction in Progress	3,206,385	2,741,218	242,754	236,276	3,449,139	2,977,494
<b>Total</b>	<b>\$ 20,783,996</b>	<b>\$ 20,320,146</b>	<b>\$ 10,817,410</b>	<b>\$ 10,691,378</b>	<b>\$ 31,601,406</b>	<b>\$ 31,011,524</b>

Note: Prior year adjustments recorded in the current year have not been reflected in the prior year column in the table above.

### **Debt Administration**

The Constitution authorizes issuing general obligation debt only as approved by the legislature and prohibits the issuance of general obligation bonds for operating purposes. The Constitution requires the State to maintain a reserve sufficient to pay annual debt service requirements on all general obligation debt. If for any reason the reserve balance is insufficient to make all debt service payments when due, the first revenues received thereafter in the General Fund will be set aside for such use. The Constitution also stipulates that no debt may be incurred when the highest aggregate annual debt service requirements for any year for outstanding general obligation debt and guaranteed revenue debt, including proposed debt, exceed 10% of the total revenue receipts, less refunds in the state treasury, in the fiscal year immediately preceding the year in which any such debt is to be incurred. At June 30, 2016, the State was \$844.3 million below the annual debt service limit established by the Constitution.

(Table on next page)



Management's Discussion and Analysis

(Unaudited)

<b>Table 5 - Net Outstanding Bond Debt</b>						
As of June 30, 2016 and 2015 (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 9,493,441	\$ 9,367,381	\$ -	\$ -	\$ 9,493,441	\$ 9,367,381
GARVEE Revenue Bonds	643,374	799,188	-	-	643,374	799,188
Revenue Bonds	340,573	401,177	756,539	1,384,058	1,097,112	1,785,235
	<u>\$10,477,388</u>	<u>\$10,567,746</u>	<u>\$ 756,539</u>	<u>\$ 1,384,058</u>	<u>\$11,233,927</u>	<u>\$11,951,804</u>

Note: Prior year adjustments recorded in the current year have not been reflected in the prior year column in the table above.

At the end of the fiscal year, the State had \$11.2 billion in total outstanding bonded debt. Of this amount \$9.8 billion (including premiums and discounts), or 87.6%, is secured by the full faith and credit of the government for general obligation bonds and guaranteed revenue bonds; \$756.5 million, or 6.7%, is secured primarily by lease arrangements with the Board of Regents or applicable security deed and related assignment of contract documents; and \$643.4 million, or 5.7%, in State Road and Tollway Authority GARVEE debt is secured by Federal Highway Administration grant funds and state motor fuel funds.

Total general obligation bonds and revenue bonds payable, net of premiums and discounts, increased \$126.1 million, or 1.3%, and decreased \$843.9 million, or 32.7%, respectively. During the fiscal year, the State issued \$1.0 billion of general obligation bonds, excluding premiums and discounts. Of the general obligation bonds issued, \$188.8 million was issued for K-12 school facilities, \$381.5 million was issued for higher education facilities, \$4.8 million was issued for transportation projects, \$10.0 million for water and sewer loans to local governments, and \$423.3 million for various state agency facilities.

The State maintains a triple-A bond rating on its general obligation debt from all three national rating agencies. These ratings, the highest available, help the State achieve the lowest possible interest rates. Additional information regarding the State's outstanding debt can be found in *Note 10 – Long-Term Liabilities* of the Notes to the Financial Statements section.

## BUDGETARY HIGHLIGHTS

### Fiscal Year 2016 Budget Highlights

The fiscal year 2016 budget was balanced to a revenue estimate assuming tax revenue growth of 4.6% and general fund growth of 4.4% and focused on funding growth needs within education and child welfare services, as well as meeting increased annual required contributions to pension plans. More specifically the budget provided for the following increases:



## Management's Discussion and Analysis

(Unaudited)

### Education

- \$519.6 million in additional funds for K-12 education to fund enrollment growth and teacher training and experience while also allowing local systems additional resources to increase instructional days, reduce teacher furloughs, or enhance teacher salaries
- \$53.0 million for instruction at university and technical colleges
- \$18.4 million in additional funds for tuition for K-12 students dually enrolled in higher education while in high school

### Human Services and Criminal Justice

- \$36.0 million for child welfare services to provide for new case workers to manage increasing child abuse and neglect caseloads and improve service delivery of child welfare services
- \$12.4 million to fund the fifth year of the Settlement Agreement with the U.S. Department of Justice
- \$13.8 million for education and reentry initiatives within the Department of Corrections
- \$5 million for accountability courts and other community based alternatives within the adult and juvenile correctional systems

### Transportation Infrastructure

- \$100 million in bonds to address critical bridge infrastructure needs
- \$75 million in bonds for statewide transit needs

### Other

- \$139.2 million to fully fund annual required contributions for employee and teacher pension plans
- \$52.0 million to provide merit pay increases to state employees as well as to address employee recruitment and retention needs in strategic job classifications

### Amended Fiscal Year 2016 Budget Highlights

The amended fiscal year 2016 (AFY 2016) appropriations bill was signed by the Governor on February 17, 2016, as passed by the General Assembly and with no vetoes. The AFY 2016 budget was built on a 6.2% increase in net revenue collections over fiscal year 2015 actuals, including a 6.0% increase in tax revenues. The increase in estimated tax revenues in the Amended budget was driven largely by the enactment of HB 170, the Transportation Funding Act, which eliminated the state sales tax on gasoline, while raising the state excise tax to 26 cents-per-gallon and 29 cents-per-gallon for diesel and established additional fees on heavy or alternative fueled vehicles as well as a \$5 per night hotel/motel fee. The AFY 2016 budget included an additional \$758.7 million for transportation infrastructure as a result of HB 170.

Other changes in the amended bill were limited to meeting growth needs in core spending areas of education and health and human services:

- \$109.9 million for a mid-term adjustment for K-12 education growth
- \$20.2 million in additional funds for tuition for K-12 students dually enrolled in higher education while in high school
- \$90.8 million for Medicaid and PeachCare for Kids
- \$70 million to attract and retain physicians to underserved parts of the state
- \$51.2 million to meet increased demand in child welfare services programs
- \$15 million in additional funds for Forestland Protection grants, a portion of which goes directly to local school systems whose property tax digests have been impacted by dedicated forestland
- \$14.9 million for the OneGeorgia Authority to provide grants to local school systems for digital education and wireless technology enhancements



## Management's Discussion and Analysis

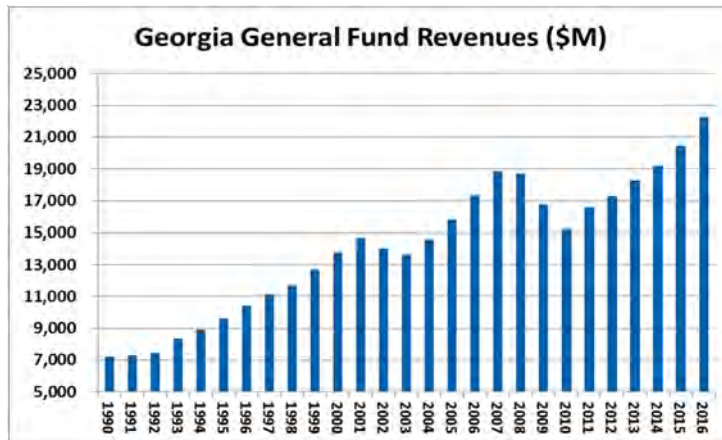
(Unaudited)

### Fiscal Performance

#### Georgia revenue growth exceeded planned growth in 2016

Tax revenue collections were up 8.4% and total state funds revenues, at \$22.2 billion, were up 8.8% over fiscal year 2015, exceeding the revenue estimate by 4.0% and enabling the State to add to the revenue shortfall reserve. State General Fund Receipts (Net Revenue Collections), which consist primarily of tax revenues collected less applicable refunds issued, now exceed the pre-recession peak.

Total funds deposited with the Office of the State Treasurer during fiscal year 2016 were \$2.2 billion more than the initial revenue estimate used for the budget. Of the major tax sources, motor vehicle taxes/motor vehicle ad valorem tax, individual income tax, corporate income tax and general sales and use tax were the largest components of overall tax growth at \$847.2 million, or 40.0%; \$1.1 billion, or 11.5%; \$26.4 million, or 2.8%; and \$140.0 million, or 2.6%, respectively.

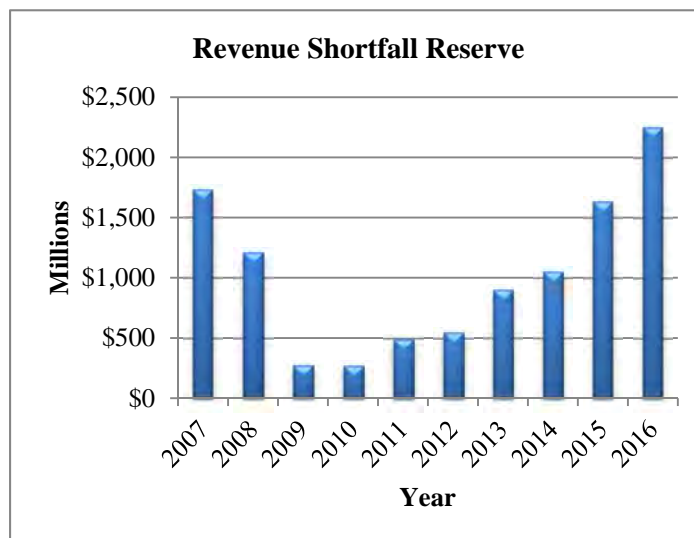


These results are consistent with the State's practice of setting conservative revenue estimates and corresponding budgets. These results have a direct impact on the State's revenue shortfall reserve discussed below.

### Revenue Shortfall Reserve (RSR)

The RSR provides for the sound management of excess revenue collections in any given fiscal year. By statute, all surplus State funds existing at the end of each fiscal year shall be reserved and added to the RSR. Each fiscal year, the General Assembly may appropriate from the RSR an amount up to 1% of the net revenue collections of the preceding fiscal year for funding increased K-12 education needs. Also, the Governor may release for appropriation by the General Assembly a stated amount of reserve funds in the RSR that are in excess of 4% of the net revenue collections of the preceding fiscal year. The RSR cannot exceed 15% of the previous fiscal year's net revenue collections.

The ending balance in the RSR is a critical tool in helping to address budget shortfalls similar to those witnessed during the Great Recession. After reaching a peak in fiscal year 2007 at \$1.7 billion (9.2% of state general fund receipts/net revenue collections), the State's RSR balance declined to a low of \$268.2 million in fiscal year 2010. For the year ended June 30, 2016, the RSR increased by \$619.7 million and has a current balance of \$2.3 billion, which includes an audited agency lapse of \$207.4 million. The RSR balance is now the largest balance in the history of the state. The increase to the RSR was accomplished due to





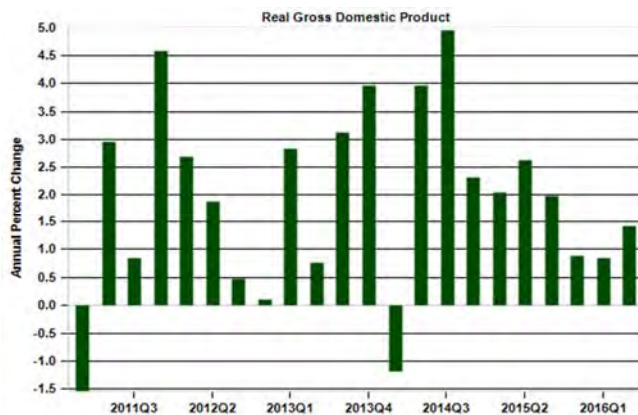
revenue collections exceeding revenue estimates (\$2.4 billion), reduction of agency allotment balances, and return of unexpended and unobligated funds by agencies. By statute, 1% of fiscal year 2016 state general fund receipts/net revenue collections (\$222.4 million) is available from the RSR for the mid-year K-12 education appropriation adjustment in the amended fiscal year 2016 budget. However, this amount had not been appropriated as of the date of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

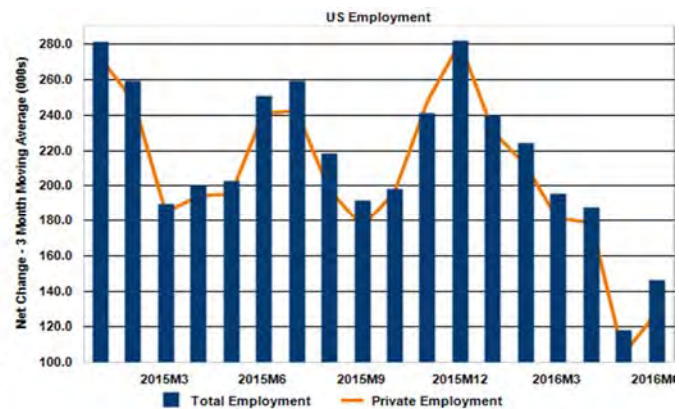
### Economic Results During 2016

The U.S. economy continued to grow during FY 2016 but growth as measured by Real GDP was low for the last three quarters of the fiscal year as shown in Table A. Annualized growth was less than 2.0% for each of the three quarters. U.S. employment growth followed a similar pattern with monthly net job additions decreasing for much of the fiscal year which is illustrated in Table B.

**Table A - U.S. Real GDP Growth**

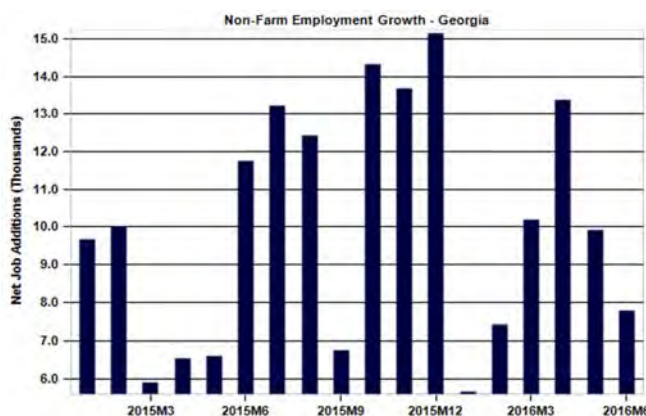


**Table B - U.S. Job Growth**

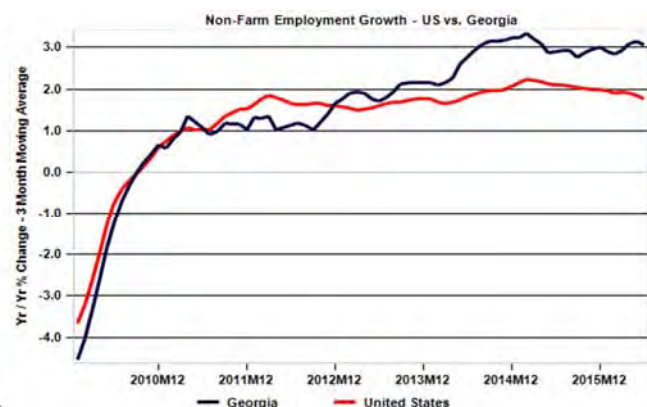


Net job additions for Georgia's labor market weakened over the last few months of the fiscal year as shown in Table C. Net job additions in Georgia for the fiscal year totaled 120,000. As shown in Table D, the rate of job growth in Georgia exceeded that of the U.S. labor market throughout the fiscal year.

**Table C - Georgia Job Growth**



**Table D - U.S. vs Georgia Job Growth**





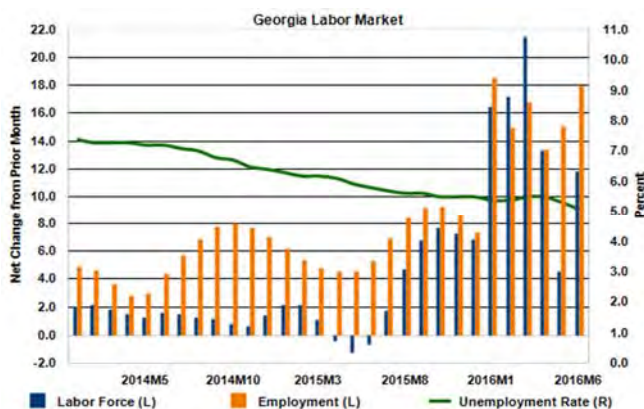


## Management's Discussion and Analysis

(Unaudited)

As shown in Table E, Georgia's unemployment rate fell by 0.7 percentage points during FY 2016. In addition, Georgia's labor force and household employment expanded each month during the fiscal year. These data are indicative of healthy labor market growth. Table F illustrates that personal income growth in Georgia outperformed that of the U.S. during FY 2016. Year over year growth declined steadily for the U.S. during the fiscal year while Georgia's personal income growth in the last quarter of the fiscal year exceeded its growth rate in the first quarter of the fiscal year.

**Table E – Georgia Unemployment Situation**



**Table F – Georgia vs U.S. Personal Income Growth**



### Fiscal Year 2017 Budget Highlights

The FY 2017 budget focused on meeting growth needs in education, particularly on restoring funding for local school systems, addressing needs in human services programming, continuing reforms of the criminal justice system, and continuing to invest in long term infrastructure needs for the state. The FY 2017 budget anticipates General Fund revenue growth of 3.8% over the Amended FY 2016 General Fund revenue estimate and total tax revenue growth of 3.9% over the Amended FY 2016 budget revenue estimate; however, based on actual collections for FY 2016 (unaudited), the growth rates required to meet the FY 2017 budget estimates are 1.6% in tax revenue growth and 1.3% in General Fund revenue growth. As in FY 2016, HB 170 will provide significant new funding for transportation in FY 2017 and beyond.

### **Education**

- \$434.1 million in additional funds for K-12 education to fund enrollment growth and teacher training and experience while also providing local systems additional resources to increase instructional days, reduce teacher furloughs, or enhance teacher, nurse, and school bus driver salaries by up to three percent
- \$43.5 million for resident instruction for the University System
- \$29.4 million in additional funds for tuition for K-12 students dually enrolled in higher education while in high school

### **Human Services and Criminal Justice**

- \$108.1 million to meet increased demand in child welfare programs, including \$58.8 million for growth and \$49.3 million to replace federal funds
- \$45.8 million for Medicaid and PeachCare for Kids
- \$11.9 million for a provider rate increase for the Comprehensive Support Waivers Program (COMP) for individuals with developmental disabilities



## Management's Discussion and Analysis

*(Unaudited)*

- \$5.7 million for one Behavioral Health Crisis Center to address emergency crisis needs for individuals with mental illnesses
- \$5.4 million for education initiatives within the Department of Corrections
- \$4.3 million to provide 22 additional agencies to support the increased general investigative needs of a growing state and 10 new toxicologist positions to maintain caseload levels within national lab certification standards

### **Transportation Infrastructure**

- \$825.7 million for transportation projects as a result of new revenues from HB 170
- \$100.0 million in GO bonds to repair, renovate, or replace roads and bridges statewide

### **Other**

- \$172 million to continue to address state employee salary needs through merit increases
- \$56.3 million to further address salary needs in the highest turnover job classifications

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the State's finances for all of the State's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State Accounting Office, 200 Piedmont Avenue, Suite 1604 West Tower, and Atlanta, Georgia 30334-9010.

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# BASIC FINANCIAL STATEMENTS

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## Statement of Net Position

June 30, 2016

(dollars in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 5,799,148	\$ 3,309,450	\$ 9,108,598	\$ 1,972,198
Investments	2,804,807	498,302	3,303,109	3,348,739
Receivables (Net)	5,201,825	606,415	5,808,240	4,573,901
Due from Primary Government	-	-	-	33,191
Due from Component Units	76,188	397,895	474,083	-
Internal Balances	275,819	(275,819)	-	-
Inventories	55,196	32,835	88,031	33,507
Prepaid Items	21,883	54,097	75,980	31,859
Other Assets	15,808	3,971	19,779	250,903
Restricted Assets				
Cash and Cash Equivalents	194,571	51,851	246,422	272,407
Investments	-	185,411	185,411	485,382
Receivables (Net)	-	-	-	1,106,415
Net Pension Asset	90,405	-	90,405	-
Capital Assets				
Nondepreciable	7,213,203	753,784	7,966,987	1,478,757
Depreciable (Net of Accumulated Depreciation)	13,570,793	10,063,626	23,634,419	1,814,619
Total Assets	35,319,646	15,681,818	51,001,464	15,401,878
<b>Deferred Outflows of Resources</b>				
	909,298	422,951	1,332,249	139,645
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	2,652,893	250,775	2,903,668	315,526
Due to Primary Government	-	-	-	474,083
Due to Component Units	29,452	3,739	33,191	-
Benefits Payable	861,067	255,301	1,116,368	-
Accrued Interest Payable	226,321	476	226,797	8,577
Contracts Payable	189,704	30,084	219,788	46,198
Funds Held for Others	84,419	115,362	199,781	4,738
Unearned Revenue	84,693	308,572	393,265	326,992
Claims and Judgments Payable	639,843	1,528	641,371	5,425
Other Liabilities	58,709	24,672	83,381	1,063,061
Noncurrent Liabilities:				
Net Pension Liability	3,883,675	2,778,278	6,661,953	158,918
Due within one year	1,131,121	240,984	1,372,105	209,359
Due in more than one year	9,945,120	5,758,487	15,703,607	3,819,614
Total Liabilities	19,787,017	9,768,258	29,555,275	6,432,491
<b>Deferred Inflows of Resources</b>				
	475,037	826,514	1,301,551	35,613
<b>Net Position</b>				
Net Investment in Capital Assets <sup>(1)</sup>	17,213,380	7,529,660	21,892,080	2,507,916
Restricted for:				
Bond Covenants/Debt Service	2,734	26,475	29,209	26,436
Capital Projects	-	13,771	13,771	170,634
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003	-
Higher Education	-	197,177	197,177	451,781
Loan and Grant Programs	-	-	-	1,613,661
Lottery for Education	1,055,989	-	1,055,989	-
Motor Fuel Tax Funds	2,571,221	-	2,571,221	-
Permanent Trusts:				
Nonexpendable	14	181,152	181,166	1,471,436
Expendable	-	917	917	625,168
Unemployment Compensation Benefits	-	1,418,029	1,418,029	-
Other Purposes	815,053	-	815,053	125,665
Unrestricted <sup>(1)</sup>	(5,745,504)	(3,857,184)	(6,751,728)	2,080,722
Total Net Position	\$ 15,966,890	\$ 5,509,997	\$ 21,476,887	\$ 9,073,419

<sup>(1)</sup> Refer to Note 4 for additional details

# State of Georgia

## Statement of Activities

For the Fiscal Year Ended June 30, 2016

(dollars in thousands)

Functions/Programs	Expenses	Program Revenues		
		Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 1,385,643	\$ 799,281	\$ 369,245	\$ 71,522
Education	12,024,645	9,679	2,179,077	-
Health and Welfare	16,795,986	91,838	12,070,240	375
Transportation	1,917,223	55,138	71,294	1,257,913
Public Safety	2,145,769	167,297	208,647	2,421
Economic Development and Assistance	509,074	59,231	354,797	30,799
Culture and Recreation	279,772	146,492	102,145	12,719
Conservation	59,409	4,505	16,940	1,905
Interest and Other Charges on Long-Term Debt	424,595	-	-	-
Total Governmental Activities	35,542,116	1,333,461	15,372,385	1,377,654
<b>Business-type Activities:</b>				
Higher Education	8,576,540	3,509,384	2,610,914	60,543
State Health Benefit Plan	2,153,073	2,121,100	2,939	-
Unemployment Compensation	379,714	785,392	22,431	-
Georgia Higher Education Facilities Authority	11,587	11,640	1	-
	11,120,914	6,427,516	2,636,285	60,543
Total Primary Government	\$ 46,663,030	\$ 7,760,977	\$ 18,008,670	\$ 1,438,197
<b>Component Units</b>				
Georgia Environmental Finance Authority	\$ 34,870	\$ 37,204	\$ 68,735	\$ -
Georgia Housing and Finance Authority	168,525	69,732	105,128	-
Georgia Lottery Corporation	4,299,262	4,308,746	-	-
Georgia Ports Authority	288,046	346,263	32,526	12,524
Georgia Tech Foundation, Incorporated	112,605	8,343	5,855	-
Nonmajor Component Units	2,699,103	1,463,912	1,082,037	563,380
Total Component Units	\$ 7,602,411	\$ 6,234,200	\$ 1,294,281	\$ 575,904

### General Revenues:

Taxes
Income Taxes - Individual
Sales and Use Taxes - General
Motor Vehicle License and Title ad valorem Taxes
Other Taxes
Lottery for Education - Lottery Proceeds
Nursing Home and Hospital Provider Fees
Tobacco Settlement Funds
Unrestricted Investment Income/(Loss)
Unclaimed Property
Other
Payments from the State of Georgia
Contributions to Permanent Endowments
Transfers
Total General Revenues, Contributions to Permanent Endowments and Transfers
Change in Net Position
Net Position, July 1 - Restated (Note 3)
Net Position, June 30



**Net (Expense) Revenue and  
Changes in Net Position**

<b>Primary Government</b>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (145,595)		\$ (145,595)	
(9,835,889)		(9,835,889)	
(4,633,533)		(4,633,533)	
(532,878)		(532,878)	
(1,767,404)		(1,767,404)	
(64,247)		(64,247)	
(18,416)		(18,416)	
(36,059)		(36,059)	
<u>(424,595)</u>		<u>(424,595)</u>	
<u>(17,458,616)</u>		<u>(17,458,616)</u>	
	\$ (2,395,699)	(2,395,699)	
	(29,034)	(29,034)	
	428,109	428,109	
	54	54	
	<u>(1,996,570)</u>	<u>(1,996,570)</u>	
<u>(17,458,616)</u>	<u>(1,996,570)</u>	<u>(19,455,186)</u>	
			\$ 71,069
			6,335
			9,484
			103,267
			(98,407)
			<u>410,226</u>
			<u>501,974</u>
9,799,035	-	9,799,035	-
5,730,560	-	5,730,560	-
1,307,054	-	1,307,054	-
4,165,717	-	4,165,717	31,555
1,097,823	-	1,097,823	-
434,126	-	434,126	-
137,035	-	137,035	-
33,936	-	33,936	(9,439)
153,257	-	153,257	-
12,916	-	12,916	-
-	-	-	101,744
-	137	137	77,487
<u>(2,639,131)</u>	<u>2,639,131</u>	<u>-</u>	<u>-</u>
<u>20,232,328</u>	<u>2,639,268</u>	<u>22,871,596</u>	<u>201,347</u>
<u>2,773,712</u>	<u>642,698</u>	<u>3,416,410</u>	<u>703,321</u>
<u>13,193,178</u>	<u>4,867,299</u>	<u>18,060,477</u>	<u>8,370,098</u>
<u>\$ 15,966,890</u>	<u>\$ 5,509,997</u>	<u>\$ 21,476,887</u>	<u>\$ 9,073,419</u>



## Balance Sheet

### Governmental Funds

### June 30, 2016

(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 5,089,587	\$ 519,170	\$ 79,769	\$ 5,688,526
Investments	1,962,438	594,401	175,219	2,732,058
Receivables (Net)	5,071,751	29,048	26,410	5,127,209
Due from Other Funds	21,616	-	4,888	26,504
Due from Component Units	76,098	-	-	76,098
Inventories	38,659	-	120	38,779
Restricted Assets				
Cash and Cash Equivalents	50,827	-	143,744	194,571
Other Assets	39,227	-	2	39,229
<b>Total Assets</b>	<b>\$ 12,350,203</b>	<b>\$ 1,142,619</b>	<b>\$ 430,152</b>	<b>\$ 13,922,974</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable and Other Accruals	\$ 2,513,191	\$ 80,366	\$ 10,785	\$ 2,604,342
Due to Other Funds	429,986	19,772	20,751	470,509
Due to Component Units	29,452	-	-	29,452
Benefits Payable	861,067	-	-	861,067
Contracts Payable	118,937	23,585	47,182	189,704
Undistributed Local Government Sales Tax	4,275	-	-	4,275
Funds Held for Others	83,294	-	-	83,294
Unearned Revenue	78,607	-	16,599	95,206
Other Liabilities	23,696	28,515	-	52,211
<b>Total Liabilities</b>	<b>4,142,505</b>	<b>152,238</b>	<b>95,317</b>	<b>4,390,060</b>
<b>Deferred Inflows of Resources</b>	<b>1,878,209</b>	<b>13,673</b>	<b>-</b>	<b>1,891,882</b>
<b>Fund Balances:</b>				
Nonspendable	66,744	-	136	66,880
Restricted	4,112,561	949,319	292,800	5,354,680
Unrestricted				
Committed	9,287	-	-	9,287
Assigned	345,667	27,389	41,899	414,955
Unassigned	1,795,230	-	-	1,795,230
<b>Total Fund Balances</b>	<b>6,329,489</b>	<b>976,708</b>	<b>334,835</b>	<b>7,641,032</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,350,203</b>	<b>\$ 1,142,619</b>	<b>\$ 430,152</b>	<b>\$ 13,922,974</b>





## Reconciliation of Fund Balances To the Statement of Net Position June 30, 2016 (dollars in thousands)

**Total Fund Balances - Governmental Funds** (from previous page) \$ 7,641,032

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

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

Land	\$ 3,866,495	
Buildings and Building Improvements	3,343,251	
Improvements Other Than Buildings	118,075	
Machinery and Equipment	937,175	
Infrastructure	28,246,266	
Construction in Progress	3,206,385	
Works of Art	117	
Intangibles - Other Than Software	120,525	
Software	257,858	
Accumulated Depreciation	<u>(19,565,884)</u>	20,530,263

Deferred inflows of resources are not reported in the governmental funds:

Revenues are not available soon enough after yearend to pay for current period's expenditures	1,877,765	
Related to pensions	<u>(454,682)</u>	1,423,083

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

434,528

Deferred outflows of resources are not reported in the governmental funds:

Amount on refunding of bonded debt	170,716	
Related to pensions	<u>729,952</u>	900,668

Other assets not available in the current period and therefore are not reported in the governmental funds:

Other Accounts Receivable	191	
Net Pension Asset	90,405	
Other Assets	<u>8,670</u>	99,266

Certain long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.

General Obligation Bonds	(8,952,260)	
Premiums	(541,181)	
Accrued Interest Payable	(226,321)	
Revenue Bonds	(943,451)	
Premiums	(40,496)	
Capital Leases	(134,019)	
Compensated Absences	(322,099)	
Long-Term Notes	(68,684)	
Net Pension Liability	(3,830,667)	
Other	<u>(2,772)</u>	<u>(15,061,950)</u>

**Total Net Position - Governmental Activities** \$ 15,966,890



## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the Fiscal Year Ended June 30, 2016

(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
<b>Revenues:</b>				
Taxes	\$ 20,694,999	\$ -	\$ -	\$ 20,694,999
Licenses and Permits	499,313	-	-	499,313
Intergovernmental - Federal	15,875,928	70,620	-	15,946,548
Intergovernmental - Other	430,507	10,462	106,928	547,897
Operating Grants and Contributions - Premiums	55,305	-	-	55,305
Sales and Services	403,194	-	655	403,849
Fines and Forfeits	464,064	-	-	464,064
Interest and Other Investment Income	40,114	7,848	2,257	50,219
Unclaimed Property	153,257	-	-	153,257
Lottery Proceeds	1,097,823	-	-	1,097,823
Nursing Home Provider Fees	163,524	-	-	163,524
Hospital Provider Payments	270,602	-	-	270,602
Other	51,387	-	24,082	75,469
<b>Total Revenues</b>	<b>40,200,017</b>	<b>88,930</b>	<b>133,922</b>	<b>40,422,869</b>
<b>Expenditures:</b>				
Current:				
General Government	1,021,223	34	-	1,021,257
Education	12,010,308	-	-	12,010,308
Health and Welfare	16,872,312	-	-	16,872,312
Transportation	1,959,750	-	222,035	2,181,785
Public Safety	2,193,494	-	-	2,193,494
Economic Development and Assistance	546,680	-	53,351	600,031
Culture and Recreation	304,703	-	-	304,703
Conservation	55,868	-	646	56,514
Capital Outlay	-	765,976	-	765,976
Debt Service				
Principal	-	-	988,145	988,145
Interest	17	-	449,649	449,666
Other Debt Service Expenditures	-	25,345	503	25,848
Intergovernmental	-	200,373	-	200,373
<b>Total Expenditures</b>	<b>34,964,355</b>	<b>991,728</b>	<b>1,714,329</b>	<b>37,670,412</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,235,662	(902,798)	(1,580,407)	2,752,457
<b>Other Financing Sources (Uses):</b>				
Debt Issuance - General Obligation Bonds	-	1,008,355	-	1,008,355
Debt Issuance - Refunding Bonds	-	-	275,985	275,985
Debt Issuance - Other	4,626	-	16,300	20,926
Debt Issuance - General Obligation Bonds - Premium	-	67,451	-	67,451
Debt Issuance - Refunding Bonds - Premium	-	-	26,743	26,743
Payment to Refunded Bond Escrow Agent	-	-	(302,322)	(302,322)
Capital Leases	27,617	-	-	27,617
Transfers In	76,258	9,338	1,632,590	1,718,186
Transfers Out	(4,011,049)	(14,900)	(55,784)	(4,081,733)
<b>Net Other Financing Sources (Uses)</b>	<b>(3,902,548)</b>	<b>1,070,244</b>	<b>1,593,512</b>	<b>(1,238,792)</b>
<b>Net Change in Fund Balances</b>	<b>1,333,114</b>	<b>167,446</b>	<b>13,105</b>	<b>1,513,665</b>
Fund Balances, July 1 - Restated (Note 3)	4,996,375	809,262	321,730	6,127,367
<b>Fund Balances, June 30</b>	<b>\$ 6,329,489</b>	<b>\$ 976,708</b>	<b>\$ 334,835</b>	<b>\$ 7,641,032</b>



## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

<b>Net Change in Fund Balances - Governmental Funds</b> (from previous page)	\$	1,513,665
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay (net of losses), net of transfers to Business-Type Activities, Component Units and outside organizations.	\$	1,567,327
Depreciation expense	<u>(1,061,082)</u>	506,245
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		344,902
Bond proceeds (net of issuance costs and payments to refunding escrow) and notes provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(1,002,944)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.		(27,617)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position. Payments were made on the following long-term liabilities:		
General Obligation Bonds	802,460	
Revenue Bonds	185,685	
Capital Leases	<u>48,333</u>	1,036,478
Internal service funds are used by management to charge the costs of certain activities to individual funds. The incorporation of the external activities of these funds, and the elimination of profit/loss generated by primary government customers results in net revenue (expense) for Governmental Activities.		13,110
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes in the following balances:		
Compensated Absences	(7,099)	
Accrued Interest on Bonds Payable	(17,690)	
Arbitrage Rebate	962	
Amortization of Deferred Amount on Refunding	(33,307)	
Bond Premiums	70,174	
Pension costs, net	376,441	
Other	<u>392</u>	<u>389,873</u>
<b>Change in Net Position - Governmental Activities</b>	<u>\$</u>	<u>2,773,712</u>



## Statement of Net Position Proprietary Funds June 30, 2016 (dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major			Nonmajor		Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Georgia Higher Education Facilities Authority	Total	Internal Service Funds
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 1,418,183	\$ 585,591	\$ 1,305,180	\$ 496	\$ 3,309,450	\$ 110,613
Investments	224,938	22,705	-	-	247,643	13,385
Accounts Receivable (Net)	391,730	2,929	167,915	476	563,050	74,409
Due from Other Funds	21,480	-	-	-	21,480	573,307
Due from Component Units	159,125	-	-	238,770	397,895	90
Other Assets	89,282	-	-	-	89,282	16,846
<b>Noncurrent Assets:</b>						
Investments	53,661	196,998	-	-	250,659	59,364
Notes Receivable	43,365	-	-	-	43,365	-
Other Noncurrent Assets	1,621	-	-	-	1,621	-
<b>Restricted Assets</b>						
Cash and Cash Equivalents	51,851	-	-	-	51,851	-
Investments	185,411	-	-	-	185,411	-
Non-Depreciable Capital Assets	753,784	-	-	-	753,784	20,621
Depreciable Capital Assets, net	10,063,626	-	-	-	10,063,626	233,112
<b>Total Assets</b>	<u>13,458,057</u>	<u>808,223</u>	<u>1,473,095</u>	<u>239,742</u>	<u>15,979,117</u>	<u>1,101,747</u>
<b>Deferred Outflows of Resources</b>	<u>416,884</u>	<u>1,936</u>	<u>-</u>	<u>4,131</u>	<u>422,951</u>	<u>8,627</u>

(continued)



## Statement of Net Position Proprietary Funds June 30, 2016 (dollars in thousands)

	Business-type Activities - Enterprise Funds				Total	Governmental
	Major		Nonmajor			Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Georgia Higher Education Facilities Authority		Internal Service Funds
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable and Other Accruals	208,204	5,831	6,882	-	220,917	44,274
Due to Other Funds	149,891	29,858	-	-	179,749	875
Due to Component Units	3,739	-	-	-	3,739	-
Benefits Payable	67,437	180,539	7,325	-	255,301	-
Unearned Revenue	253,492	14,221	40,859	-	308,572	125
Claims and Judgments Payable	1,528	-	-	-	1,528	639,843
Compensated Absences Payable	152,816	114	-	-	152,930	2,051
Capital Leases/Installment Purchases Payable						
Component Units	57,704	-	-	-	57,704	-
Other	12,330	-	-	-	12,330	4,623
Revenue Bonds Payable	11,959	-	-	4,645	16,604	-
Other Current Liabilities	167,831	-	-	476	168,307	8,010
<b>Noncurrent Liabilities:</b>						
Compensated Absences Payable	89,079	117	-	-	89,196	2,786
Capital Leases/Installment Purchases Payable						
Component Units	1,668,778	-	-	-	1,668,778	-
Other	894,449	-	-	-	894,449	46,047
Claims and Judgments Payable	3,114	-	-	-	3,114	-
Revenue Bonds Payable	502,487	-	-	237,448	739,935	-
Other Postemployment Benefit Obligation	2,355,868	-	-	-	2,355,868	-
Net Pension Liability	2,771,259	7,019	-	-	2,778,278	53,012
Other Noncurrent Liabilities	10,850	-	-	-	10,850	15,387
<b>Total Liabilities</b>	<b>9,382,815</b>	<b>237,699</b>	<b>55,066</b>	<b>242,569</b>	<b>9,918,149</b>	<b>817,033</b>
<b>Deferred Inflows of Resources</b>	<b>825,751</b>	<b>763</b>	<b>-</b>	<b>-</b>	<b>826,514</b>	<b>6,221</b>
<b>Net Position</b>						
Net Investment in Capital Assets	7,529,660	-	-	-	7,529,660	203,063
Restricted for:						
Bond Covenants/Debt Service	26,475	-	-	-	26,475	-
Capital Projects	13,771	-	-	-	13,771	-
Higher Education	197,177	-	-	-	197,177	-
Permanent Trusts:						
Nonexpendable	181,152	-	-	-	181,152	-
Expendable	917	-	-	-	917	-
Unemployment Compensation Benefits	-	-	1,418,029	-	1,418,029	-
Unrestricted	(4,282,777)	571,697	-	1,304	(3,709,776)	84,057
<b>Total Net Position</b>	<b>\$ 3,666,375</b>	<b>\$ 571,697</b>	<b>\$ 1,418,029</b>	<b>\$ 1,304</b>	<b>5,657,405</b>	<b>\$ 287,120</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(147,408)	
<b>Net Position of Business-type Activities</b>					<b>\$ 5,509,997</b>	





## Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Major			Nonmajor	Total	Internal Service Funds
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Georgia Higher Education Facilities Authority		
<b>Operating Revenues:</b>						
Operating Grants and Contributions/Premiums	\$ 1,624,832	\$ 2,121,100	\$ 785,392	\$ -	\$ 4,531,324	\$ 209,508
Rents and Royalties	7,401	-	-	-	7,401	55,631
Sales and Services	1,118,925	-	-	11,640	1,130,565	340,953
Tuition and Fees	2,787,402	-	-	-	2,787,402	-
Less: Scholarship Allowances	(632,773)	-	-	-	(632,773)	-
Other	228,429	-	-	-	228,429	5,998
<b>Total Operating Revenues</b>	<b>5,134,216</b>	<b>2,121,100</b>	<b>785,392</b>	<b>11,640</b>	<b>8,052,348</b>	<b>612,090</b>
<b>Operating Expenses:</b>						
Personal Services	5,168,103	5,420	-	-	5,173,523	50,433
Services and Supplies	2,252,500	134,210	-	9	2,386,719	356,322
Scholarships and Fellowships	409,496	-	-	-	409,496	-
Benefits	-	2,013,443	379,714	-	2,393,157	-
Claims and Judgments	-	-	-	-	-	184,295
Depreciation	534,942	-	-	-	534,942	26,502
Amortization	57	-	-	(62)	(5)	-
Other	5,280	-	-	-	5,280	-
<b>Total Operating Expenses</b>	<b>8,370,378</b>	<b>2,153,073</b>	<b>379,714</b>	<b>(53)</b>	<b>10,903,112</b>	<b>617,552</b>
<b>Operating Income (Loss)</b>	<b>(3,236,162)</b>	<b>(31,973)</b>	<b>405,678</b>	<b>11,693</b>	<b>(2,850,764)</b>	<b>(5,462)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Grants and Contributions	963,275	-	-	-	963,275	-
Interest and Other Investment Income	22,121	2,939	22,431	1	47,492	2,467
Interest Expense	(169,795)	-	-	(11,640)	(181,435)	-
Other	(33,056)	-	-	-	(33,056)	9,232
<b>Total Nonoperating Revenues (Expenses)</b>	<b>782,545</b>	<b>2,939</b>	<b>22,431</b>	<b>(11,639)</b>	<b>796,276</b>	<b>11,699</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(2,453,617)</b>	<b>(29,034)</b>	<b>428,109</b>	<b>54</b>	<b>(2,054,488)</b>	<b>6,237</b>
Contributions to Permanent Endowments	137	-	-	-	137	-
Capital Contributions	337,462	-	-	-	337,462	5,180
<b>Total Contributions</b>	<b>337,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>337,599</b>	<b>5,180</b>
<b>Transfers:</b>						
Transfers In	2,365,475	-	-	-	2,365,475	1,430
Transfers Out	(3,263)	-	-	-	(3,263)	(2,362)
<b>Net Transfers</b>	<b>2,362,212</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,362,212</b>	<b>(932)</b>
<b>Change in Net Position</b>	<b>246,194</b>	<b>(29,034)</b>	<b>428,109</b>	<b>54</b>	<b>645,323</b>	<b>10,485</b>
Net Position, July 1 - Restated (Note 3)	3,420,181	600,731	989,920	1,250		276,635
Net Position, June 30	\$ 3,666,375	\$ 571,697	\$ 1,418,029	\$ 1,304		\$ 287,120
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(2,625)	
<b>Change in Net Position of business-type activities</b>					<b>\$ 642,698</b>	



## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Major			Nonmajor	Total	Internal Service Funds
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Georgia Higher Education Facilities Authority		
<b>Cash Flows from Operating Activities:</b>						
Cash Received from Customers	\$ 45,461	\$ -	\$ -	\$ -	\$ 45,461	\$ 60,455
Cash Received from Other Funds (Internal Activity)	-	-	-	15,947	15,947	340,103
Cash Received from Grants and Required Contributions/Premiums	1,613,832	2,143,251	797,052	-	4,554,135	15,510
Cash Received from Grants and Required Contributions/Premiums (Internal Activity)	-	-	-	-	-	140,060
Cash Received from Tuition and Fees	3,448,295	-	-	-	3,448,295	-
Cash Paid to Vendors	(3,442,813)	(139,274)	-	(9)	(3,582,096)	(353,344)
Cash Paid to Employees	(3,872,509)	(5,241)	-	-	(3,877,750)	(55,315)
Cash Paid for Benefits	-	(2,009,810)	(381,866)	-	(2,391,676)	-
Cash Paid for Claims and Judgments	-	-	-	-	-	(152,171)
Cash Paid for Scholarships, Fellowships and Loans	(415,638)	-	-	-	(415,638)	-
Other Operating Receipts	9,889	-	-	-	9,889	659
Other Operating Payments	(4,296)	-	-	-	(4,296)	(267)
Net Cash Provided by (Used in) Operating Activities	(2,617,779)	(11,074)	415,186	15,938	(2,197,729)	(4,310)
<b>Cash Flows from Noncapital Financing Activities:</b>						
Interest Paid on Debt	-	-	-	(11,652)	(11,652)	-
Transfers from Other Funds	2,368,172	-	-	-	2,368,172	1,430
Transfers to Other Funds	(3,263)	-	-	-	(3,263)	(2,362)
Payments on Noncapital Financing Debt	-	-	-	(4,467)	(4,467)	-
Other Noncapital Receipts	870,852	-	-	172	871,024	9,398
Other Noncapital Payments	(45,230)	-	-	-	(45,230)	(3,232)
Net Cash Provided by (Used in) Noncapital Financing Activities	3,190,531	-	-	(15,947)	3,174,584	5,234
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Capital Contributions	-	-	-	-	-	3,859
Capital Grants and Gifts Received	127,811	-	-	-	127,811	-
Proceeds from Sale of Capital Assets	12,757	-	-	-	12,757	21
Proceeds from Capital Debt	28,885	-	-	-	28,885	-
Acquisition and Construction of Capital Assets	(450,015)	-	-	-	(450,015)	(7,163)
Principal Paid on Capital Debt	(130,001)	-	-	-	(130,001)	(9,207)
Interest Paid on Capital Debt	(167,899)	-	-	-	(167,899)	-
Net Cash Used in Capital and Related Financing Activities	(578,462)	-	-	-	(578,462)	(12,490)
<b>Cash Flows from Investing Activities:</b>						
Proceeds from Sales of Investments	386,950	-	-	-	386,950	71,405
Purchase of Investments	(371,038)	-	-	-	(371,038)	(72,522)
Interest and Dividends Received	22,218	3,242	22,431	1	47,892	2,241
Other Investing Activities	-	12,738	-	-	12,738	-
Net Cash Provided by (Used in) Investing Activities	38,130	15,980	22,431	1	76,542	1,124
Net Increase (Decrease) in Cash and Cash Equivalents	32,420	4,906	437,617	(8)	474,935	(10,442)
Cash and Cash Equivalents, July 1 - Restated (Note 3)	1,437,614	580,685	867,563	504	2,886,366	121,055
Cash and Cash Equivalents, June 30	\$ 1,470,034	\$ 585,591	\$ 1,305,180	\$ 496	\$ 3,361,301	\$ 110,613

(continued)





## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Business-type Activities - Enterprise Funds				Total	Governmental
	Major			Nonmajor		Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Georgia Higher Education Facilities Authority		Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities</b>						
Operating Income (Loss)	(3,236,162)	(31,973)	405,678	11,693	(2,850,764)	(5,462)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>						
Depreciation/Amortization Expense	534,999	-	-	(62)	534,937	26,502
Other Reconciling Items	4,320	-	-	-	4,320	-
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:						
Accounts Receivable	(32,470)	200,444	2,914	12	170,900	(12,003)
Due from Other Funds	1	-	-	4,295	4,296	(43,831)
Due from Component Units	-	-	-	-	-	(42)
Notes Receivable	854	-	-	-	854	-
Other Assets	205	-	-	-	205	(3,143)
Deferred Outflows of Resources	(99,886)	(197)	-	-	(100,083)	78
Accounts Payable and Other Accruals	(33,010)	(4,146)	3,283	-	(33,873)	2,450
Due to Other Funds	-	(6,830)	-	-	(6,830)	(164)
Benefits Payable	-	3,633	(2,152)	-	1,481	-
Unearned Revenue	827	(172,381)	40,859	-	(130,695)	(95)
Claims and Judgments Payable	-	-	-	-	-	32,124
Compensated Absences Payable	8,723	(22)	-	-	8,701	21
Other Postemployment Benefit Obligation	192,491	-	-	-	192,491	-
Net Pension Liability	479,841	1,087	-	-	480,928	1,500
Other Liabilities	29,766	-	-	-	29,766	4,111
Deferred Inflows of Resources	(468,278)	(689)	(35,396)	-	(504,363)	(6,356)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (2,617,779)</b>	<b>\$ (11,074)</b>	<b>\$ 415,186</b>	<b>\$ 15,938</b>	<b>\$ (2,197,729)</b>	<b>\$ (4,310)</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	\$ 114,284	\$ -	\$ -	\$ -	\$ 114,284	\$ -
Gift Reducing Proceeds of Gifts & Grants Recv'd From other than Capital Purposes	84,967	-	-	-	84,967	-
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	2,168	-	-	-	2,168	-
Donation of Capital Assets	-	-	-	-	-	13,321
Change in Receivable from Grantor Agency Affecting Proceeds of Capital Debt	96,062	-	-	-	96,062	-
Change in Accrued Interest Payable Affecting Interest Paid	6,774	-	-	-	6,774	-
Capital Assets Acquired by Incurring Capital Lease Obligations	19,298	-	-	-	19,298	-
Change in Fair Value of Investments	-	-	-	-	-	226
Special Item - Equipment-Capital Asset Transfer	33,464	-	-	-	33,464	-
Capital Lease Obligation	510	-	-	-	510	-
Other	64,963	-	-	-	64,963	-
<b>Total Noncash Investing, Capital and Financing Activities</b>	<b>\$ 422,490</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 422,490</b>	<b>\$ 13,547</b>



## Statement of Fiduciary Net Position

### Fiduciary Funds

June 30, 2016

(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
<b>Assets</b>					
Cash and Cash Equivalents	\$ 2,533,520	\$ 6,864,129	\$ 83,073	\$ 200,621	\$ 9,681,343
Receivables					
Interest and Dividends	226,027	518	-	-	226,545
Due from Brokers for Securities Sold	183,578	-	-	-	183,578
Other	234,039	-	-	8,563	242,602
Due from Other Funds	30,530	-	-	-	30,530
Investments, at Fair Value					
Certificates of Deposit	-	-	-	1,528	1,528
Pooled Investments	14,746,693	117,154	-	198	14,864,045
Mutual Funds	1,993,717	-	-	-	1,993,717
Municipal, U.S. and Foreign					
Government Obligations	10,228,516	-	-	59,262	10,287,778
Corporate Bonds/Notes/Debentures	10,134,636	-	-	-	10,134,636
Stocks	44,199,236	-	-	-	44,199,236
Asset-backed Securities	21,050	-	-	-	21,050
Mortgage Investments	99,363	-	-	-	99,363
Real Estate Investment Trusts	50,391	-	-	-	50,391
Capital Assets					
Land	8,867	-	-	-	8,867
Buildings	7,793	-	826	-	8,619
Software	29,325	-	-	-	29,325
Machinery and Equipment	6,228	-	94	-	6,322
Works of Art	114	-	-	-	114
Accumulated Depreciation	(36,275)	-	(532)	-	(36,807)
Other Assets	-	-	-	11,922	11,922
<b>Total Assets</b>	<b>84,697,348</b>	<b>6,981,801</b>	<b>83,461</b>	<b>282,094</b>	<b>92,044,704</b>
<b>Deferred Outflows of Resources</b>	<b>4,978</b>	<b>-</b>	<b>199</b>	<b>-</b>	<b>5,177</b>
<b>Liabilities</b>					
Accounts Payable and Other Accruals	39,680	-	13	3,106	42,799
Due to Other Funds	688	-	-	-	688
Due to Brokers for Securities Purchased	205,186	-	-	-	205,186
Salaries/Withholdings Payable	33	-	-	14	47
Benefits Payable	48,153	-	-	-	48,153
Funds Held for Others	-	-	-	278,963	278,963
Notes Payable	15	-	-	-	15
Unearned Revenue	5	-	-	-	5
Compensated Absences Payable	49	-	159	-	208
Net Pension Liability	27,702	-	1,637	-	29,339
Other Liabilities	32	-	371	11	414
<b>Total Liabilities</b>	<b>321,543</b>	<b>-</b>	<b>2,180</b>	<b>282,094</b>	<b>605,817</b>
<b>Deferred Inflows of Resources</b>	<b>2,220</b>	<b>-</b>	<b>326</b>	<b>-</b>	<b>2,546</b>
<b>Net Position</b>					
Restricted for:					
Pension Benefits	82,488,717	-	-	-	82,488,717
Other Postemployment Benefits	1,648,861	-	-	-	1,648,861
Other Employee Benefits	240,985	-	-	-	240,985
Pool Participants	-	6,981,801	-	-	6,981,801
Other Purposes	-	-	81,154	-	81,154
<b>Total Net Position</b>	<b>\$ 84,378,563</b>	<b>\$ 6,981,801</b>	<b>\$ 81,154</b>	<b>\$ -</b>	<b>\$ 91,441,518</b>



## Statement of Changes in Fiduciary Net Position

### Fiduciary Funds

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

(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
<b>Additions:</b>				
Contributions/Assessments				
Employer	\$ 3,303,110	\$ -	\$ -	\$ 3,303,110
NonEmployer	51,841	-	-	51,841
Plan Members/Participants	1,040,619	-	100,438	1,141,057
Other Contributions				
Fines and Bond Forfeitures	20,436	-	-	20,436
Insurance Company Premium Taxes	32,684	-	-	32,684
Insurance Premiums	4,542	-	-	4,542
Other Fees	2,493	-	-	2,493
Interest and Other Investment Income				
Dividends and Interest	1,818,878	21,608	202	1,840,688
Net Appreciation (Depreciation) in Investments Reported at Fair Value	(734,912)	51	-	(734,861)
Less: Investment Expense	(67,368)	(2,311)	-	(69,679)
Pool Participant Deposits	-	8,964,318	-	8,964,318
Other				
Transfers from Other Funds	2,267	-	-	2,267
Miscellaneous	1,852	-	-	1,852
<b>Total Additions</b>	<b>5,476,442</b>	<b>8,983,666</b>	<b>100,640</b>	<b>14,560,748</b>
<b>Deductions:</b>				
General and Administrative Expenses	74,990	-	1,474	76,464
Benefits	6,656,377	-	36,813	6,693,190
Pool Participant Withdrawals	-	8,446,028	-	8,446,028
Refunds	100,186	-	-	100,186
<b>Total Deductions</b>	<b>6,831,553</b>	<b>8,446,028</b>	<b>38,287</b>	<b>15,315,868</b>
Change in Net Position Restricted for:				
Pension and Other Employee Benefits	(1,355,111)	-	-	(1,355,111)
Pool Participants	-	537,638	-	537,638
Other Purposes	-	-	62,353	62,353
Net Position, July 1	85,733,674	6,444,163	18,801	92,196,638
Net Position, June 30	\$ 84,378,563	\$ 6,981,801	\$ 81,154	\$ 91,441,518



## Statement of Net Position

### Component Units

June 30, 2016

(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
<b>Assets</b>							
<b>Current Assets:</b>							
Cash and Cash Equivalents	\$ 973,138	\$ 135,156	\$ 33,449	\$ 185,924	\$ 6,144	\$ 638,387	\$ 1,972,198
Investments	-	43,592	-	-	-	167,060	210,652
Receivables							
Accounts (Net)	3,008	-	156,580	39,728	19,961	272,219	491,496
Capital Leases from							
Primary Government	-	-	-	-	8,976	48,728	57,704
Interest and Dividends	4,212	443	-	-	-	3,191	7,846
Notes and Loans (Net)	-	-	-	514	-	127,258	127,772
Taxes	-	-	-	-	-	3,709	3,709
Due from Primary Government	-	-	-	-	-	33,191	33,191
Due from Component Units	-	-	-	-	-	358	358
Intergovernmental Receivables	1,431	-	-	-	-	13,633	15,064
Other Current Assets	-	76,485	3,373	6,734	-	135,325	221,917
<b>Noncurrent Assets:</b>							
Investments	-	179,329	-	83,390	1,390,035	1,485,333	3,138,087
Receivables (Net)							
Capital Leases from							
Primary Government	-	-	-	-	121,107	1,547,671	1,668,778
Notes and Loans	1,333,178	654,562	-	439	-	54,050	2,042,229
Other	-	-	-	-	83,244	76,059	159,303
Due from Component Units	-	-	-	-	-	14,169	14,169
Restricted Assets							
Cash and Cash Equivalents	-	83,599	11,385	-	10,472	166,951	272,407
Investments	-	75,633	213,611	-	-	196,138	485,382
Receivables (Net)							
Notes and Loans	-	964,731	-	-	-	-	964,731
Interest and Dividends	-	10,083	-	-	-	-	10,083
Other	-	-	-	-	-	131,601	131,601
Non-depreciable Capital Assets	-	800	-	373,927	2,553	1,101,477	1,478,757
Depreciable Capital Assets (Net)	183	2,812	5,885	674,247	30,615	1,100,877	1,814,619
Other Noncurrent Assets	-	-	-	19,610	28,246	46,496	94,352
<b>Total Assets</b>	<b>2,315,150</b>	<b>2,227,225</b>	<b>424,283</b>	<b>1,384,513</b>	<b>1,701,353</b>	<b>7,363,881</b>	<b>15,416,405</b>
<b>Deferred Outflows of Resources</b>	<b>909</b>	<b>-</b>	<b>93</b>	<b>43,159</b>	<b>-</b>	<b>95,484</b>	<b>139,645</b>

(continued)



## Statement of Net Position

### Component Units

June 30, 2016

(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
<b>Liabilities</b>							
<b>Current Liabilities:</b>							
Accounts Payable and Other Accruals	3,521	17,043	139,480	52,631	9,183	123,767	345,625
Due to Primary Government	-	2	45,376	658	-	428,047	474,083
Due to Component Units	-	-	-	-	-	358	358
Funds Held for Others	-	-	-	-	-	4,738	4,738
Unearned Revenue	-	2,300	-	-	25,741	156,288	184,329
Notes and Loans Payable	-	-	-	2,400	31,230	12,345	45,975
Revenue/Mortgage Bonds Payable	5,130	30,775	-	-	10,295	76,581	122,781
Other Current Liabilities	109	234,497	6,103	2,591	2,827	107,979	354,106
Current Liabilities Payable from Restricted Assets:							
Accrued Interest Payable	-	-	-	-	-	5,363	5,363
Other	-	-	11,255	-	-	8,058	19,313
<b>Noncurrent Liabilities:</b>							
Unearned Revenue	-	-	-	536	-	142,127	142,663
Notes and Loans Payable	-	-	-	26,857	-	112,513	139,370
Revenue/Mortgage Bonds Payable	50,398	1,100,613	-	-	228,225	1,964,979	3,344,215
Grand Prizes Payable	-	-	180,351	-	-	-	180,351
Due to Component Units	-	-	-	-	7,362	6,807	14,169
Derivative Instrument Payable	-	-	-	-	-	81,231	81,231
Net Pension Liability	5,212	-	746	10,034	-	142,926	158,918
Other Noncurrent Liabilities	327	655,250	4,771	44,799	18,559	105,724	829,430
Total Liabilities	64,697	2,040,480	388,082	140,506	333,422	3,479,831	6,447,018
<b>Deferred Inflows</b>	423	-	8,438	5,311	-	21,441	35,613
<b>Net Position</b>							
Net Investment in Capital Assets	183	3,612	5,885	1,018,917	2,851	1,476,468	2,507,916
Restricted for:							
Bond Covenants/Debt Service	-	-	-	-	-	26,436	26,436
Capital Projects	-	-	-	-	11,617	159,017	170,634
Higher Education	-	-	-	-	-	451,781	451,781
Permanent Trusts							
Expendable	-	-	-	-	625,168	-	625,168
Nonexpendable	-	-	-	-	651,193	820,243	1,471,436
Loan and Grant Programs	1,613,661	-	-	-	-	-	1,613,661
Other Purposes	-	-	-	-	-	125,665	125,665
Unrestricted	637,095	183,133	21,971	262,938	77,102	898,483	2,080,722
Total Net Position	\$ 2,250,939	\$ 186,745	\$ 27,856	\$ 1,281,855	\$ 1,367,931	\$ 3,958,093	\$ 9,073,419





## Statement of Activities Component Units For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
Expenses	\$ 34,870	\$ 168,525	\$ 4,299,262	\$ 288,046	\$ 112,605	\$ 2,699,103	\$ 7,602,411
<b>Program Revenues:</b>							
Sales and Charges for Services	37,204	69,732	4,308,746	346,263	8,343	1,463,912	6,234,200
Operating Grants and Contributions	68,735	105,128	-	32,526	5,855	1,082,037	1,294,281
Capital Grants and Contributions	-	-	-	12,524	-	563,380	575,904
Total Program Revenues	105,939	174,860	4,308,746	391,313	14,198	3,109,329	8,104,385
Net (Expenses) Revenue	71,069	6,335	9,484	103,267	(98,407)	410,226	501,974
<b>General Revenues:</b>							
Taxes	-	-	-	-	-	31,555	31,555
Unrestricted Investment Income/(Loss)	-	-	-	-	(10,344)	905	(9,439)
Payments from the State of Georgia	-	-	-	-	-	101,744	101,744
Contributions to Permanent Endowments	-	-	-	-	27,503	49,984	77,487
Total General Revenues	-	-	-	-	17,159	184,188	201,347
Change in Net Position	71,069	6,335	9,484	103,267	(81,248)	594,414	703,321
Net Position, July 1 - Restated (Note 3)	2,179,870	180,410	18,372	1,178,588	1,449,179	3,363,679	8,370,098
Net Position, June 30	\$ 2,250,939	\$ 186,745	\$ 27,856	\$ 1,281,855	\$ 1,367,931	\$ 3,958,093	\$ 9,073,419







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## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. *Basis of Presentation*

The accompanying financial statements of the State have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The fiscal year end for the primary government and component units is June 30, except for the Governor's Defense Initiative (special revenue fund), Valdosta State University (VSU) Auxiliary Service Real Estate Foundation, Inc., (higher education fund) and, the Stone Mountain Memorial Association (component unit) which have a fiscal year end of December 31.

#### B. *Financial Reporting Entity*

For financial reporting purposes, the State reporting entity includes the primary government and its component units. The primary government consists of all the organizations that compose the legal entity of the State. All agencies, departments, authorities, commissions, courts, councils, boards, universities, colleges, foundations, retirement funds, associations and other organizations that are not legally separate are, for financial reporting purposes, considered part of the primary government. Component units are legally separate organizations for which the State's elected officials are financially accountable.

Financial accountability is the ability of the State to appoint a voting majority of an organization's governing board and to impose its will upon the organization or when there exists the potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. When the State does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the financial reporting entity if: (1) an organization is fiscally dependent upon the State because its resources are held for the direct benefit of the State or can be accessed by the State *and* (2) the potential exists for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. In addition, component units can be other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the financial statements to be misleading.

Where noted below, the State's component units issue their own separate audited financial statements which may be obtained from their respective administrative offices. Financial statements for component unit organizations with "AUD" at the end of their descriptions below may be obtained from the Department of Audits and Accounts (DOAA) online at [www.audits.ga.gov](http://www.audits.ga.gov). Certain component units (with "NSR" at the end of their descriptions below) are not required to prepare or issue separate financial statements beyond the financial information included in this report. The financial statements for discretely presented higher education foundations and similar organizations can be obtained from their respective administrative offices or from the Board of Regents.

#### **Blended Component Units**

Blended component units have governing bodies substantively the same as the State, provide services entirely or almost entirely to the primary government or have total debt outstanding, including leases, that is expected to be paid entirely, or almost entirely, with resources of the State. As such, although they are legally separate entities, they are, in substance, part of the government's operations. GASB standards require this type of component unit to be reported as part of the primary government and blended into the appropriate funds.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The State's blended component units, as described in the Nonmajor Governmental Funds and Internal Service Funds portions of the Supplementary Information – Combining and Individual Fund Statements category of the Financial Section, are as follows:

#### Special Revenue Funds

The following component units provide services entirely or almost entirely to the primary government and are therefore considered blended component units:

The **Georgia Aviation Authority** was created to provide oversight and efficient operation of state aircrafts and aviation operations, and ensure the safety of state air travelers and aviation property. (NSR)

The **Georgia Economic Development Foundation, Inc.** is a legally separate nonprofit corporation organized to assist the Department of Economic Development in its activities promoting the economic development of the State. (NSR)

The **Governor's Defense Initiative** is a legally separate nonprofit corporation organized to promote economic development and workforce training at Georgia's military base establishments and their surrounding communities. (NSR)

The **Georgia Natural Resources Foundation** is a legally separate nonprofit organization created to support the Department of Natural Resources by providing funding and assistance to enhance natural resource conservation, historic preservation, environmental education, and outdoor recreation. (NSR)

The **State Road and Tollway Authority** (SRTA) is a legally separate public corporation created to construct, operate and manage a system of roads, bridges and tunnels and facilities related thereto. The Authority's total debt outstanding is expected to be paid with resources of the Primary Government and therefore is considered a blended component unit. (AUD)

The **Georgia Tourism Foundation** is a legally separate nonprofit corporation organized to lessen the government burden of promoting tourism by soliciting contributions for the State-wide Tourism Marketing Program. (NSR)

#### Debt Service Fund

The **State Road and Tollway Authority Debt Service Fund** accounts for the payment of principal and interest on the debt of the Authority's governmental funds. The Authority issues bonded debt which finances State transportation infrastructure construction. (AUD)

#### Enterprise Funds

The **Georgia Higher Education Facilities Authority** is a legally separate public corporation created for the purpose of financing eligible construction, renovation, improvement, and rehabilitation or restoration projects for the Board of Regents of the University System of Georgia and the Technical College System of Georgia through the issuance of revenue bonds. The Authority issues debt and enters into lease agreements principally with the University System of Georgia Foundation, Inc. ( discretely presented component unit). The costs of the Authority's debt are recovered through lease payments from the Foundation. The Authority provides services entirely or almost entirely to the Primary Government and is therefore considered a blended component unit. (AUD)



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following foundations are considered blended component units:

The **Georgia Southern University Housing Foundation, Inc.** is a nonprofit corporation created to acquire, construct or improve student housing and other facilities. The individual financial statements may be obtained from the foundation at the following address: P. O. Box 8020-1, Statesboro, GA 30460.

The **UWG Real Estate Foundation, Inc.** is a nonprofit corporation which constructs research and auxiliary buildings and facilities for use by the University and then leases the completed building to the University. The Foundation is the sole member of several Georgia limited liability companies who hold title to all assets and associated conduit debt of various construction projects. The individual financial statements may be obtained from the foundation at the following address: Attn: Office of the Controller, 1601 Maple Street, Carrollton, GA 30118.

The **VSU Auxiliary Services Real Estate Foundation, Inc.** is a nonprofit corporation created to provide housing, parking and other facilities to students, faculty, and staff of Valdosta State University. The Foundation is the sole owner of various limited liability companies, whose collective purpose is to construct facilities to be used as student housing, parking decks, a health center, and a student union. Upon completion, the facilities are leased to the Board of Regents of the University System of Georgia. The individual financial statements may be obtained from the foundation at the following address: Attn: Assistant Director of Auxiliary Services, 1500 N. Patterson Street, Valdosta, GA 31698.

#### **Internal Service Funds**

The following component units all provide services entirely or almost entirely to the Primary Government and are therefore considered blended component units:

The **Georgia Building Authority** is responsible for all services associated with the management of State office buildings, maintaining the grounds within the State Capitol complex, maintaining the Governor's Mansion and operating parking facilities. (AUD)

The **Georgia Correctional Industries Administration** utilizes the inmate work force to manufacture products and provide services for the penal system, other units of state government and local governments. (NSR)

The **Georgia Technology Authority** was created to provide technology enterprise management and technology portfolio management to state and local governments. (NSR)

#### **Discretely Presented Component Units**

Discrete presentation entails reporting component unit financial data in a separate column and/or rows in each of the government-wide statements to emphasize that these component units are legally separate from the State. Except for Georgia Military College, the other component units are included in the reporting entity because, under the criteria established by GASB, the State has the ability to impose its will on these organizations.

The determination of major component units is based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The State's major discretely presented component units are described below:

The **Georgia Environmental Finance Authority (GEFA)** is a body corporate and politic. GEFA provides funding to eligible municipalities, counties, water and sewer authorities in the State for construction and expansion of public water, sewer, and solid waste facilities. The State periodically provides general obligation bond proceeds to GEFA to fund various loan programs for water and sewerage facilities. GEFA is governed by a board of directors consisting of three officials designated by statute and eight members appointed by the Governor. (AUD)

The **Georgia Housing and Finance Authority (GHFA)** is a body corporate and politic. GHFA is responsible for facilitating housing, housing finance and financing for health facilities and health care services throughout the State. The powers of GHFA are vested in 18 members who also comprise the board of the Department of Community Affairs (DCA). Board members are appointed by the Governor and are composed of one member from each U.S. Congressional District in the State, plus four additional members from the State at large, and include elected officials of counties or municipalities, individuals with an interest or expertise in community or economic development, environmental issues, housing development or finance or citizens who in the judgment and discretion of the Governor would enhance the DCA board. (AUD)

The **Georgia Lottery Corporation (GLC)** is a public body, corporate and politic. GLC operates lottery games to provide continuing entertainment to the public and maximize revenues, the net proceeds of which are utilized to support improvements and enhancements for educational purposes. Net proceeds are remitted to the State's General Fund and are appropriated to certain educational agencies through the State's budget process. GLC is governed by a board of directors composed of seven members, all of which are appointed by the Governor. The State is legally entitled to residual resources of GLC. (AUD)

The **Georgia Ports Authority (GPA)** is a body corporate and politic. The purpose of the Authority is to develop and improve the harbors or seaports of the State for the handling of waterborne commerce and to acquire, construct, equip, maintain, develop and improve said harbors, seaports and their facilities. The State has provided general obligation bond proceeds to GPA to finance projects and facilities. The Board consists of 13 members, all of which are appointed by the Governor. (AUD)

The **Georgia Tech Foundation, Incorporated** is a nonprofit organization established to promote, in various ways, the cause of higher education in the State, to raise and receive funds for the support and enhancement of the Georgia Institute of Technology (GIT), and to aid the GIT in its development as a leading educational institution. The individual financial statements may be obtained from the foundation at the following address: 760 Spring St. NW, Atlanta, GA 30308.

The State's nonmajor discretely presented component units are as follows:

The **Geo. L. Smith II Georgia World Congress Center Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for operating and maintaining a comprehensive international trade and convention center consisting of a complex of facilities suitable for multipurpose use. (AUD)

The **Georgia Agricultural Exposition Authority** is a body corporate and politic. This Authority is responsible for provision of a facility for the agricultural community, for public events, exhibits and other activities and for promotion and staging of a statewide fair. (NSR)



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The **Georgia Development Authority** is a body corporate and politic. The Authority was created to assist agricultural and industrial interests by providing credit and servicing functions to better enable farmers and businessmen to obtain needed capital funds. (AUD)

The **Georgia Foundation for Public Education** is a nonprofit organization established to solicit and accept contributions of money and in-kind contributions of services and property for the purpose of supporting educational excellence in Georgia. (NSR)

The **Georgia Higher Education Assistance Corporation** is a nonprofit public authority, body corporate and politic. The Corporation was created to improve the higher educational opportunities of eligible students by guaranteeing educational loan credit to students and to parents of students. The Corporation is governed by the Board of Commissioners of the Georgia Student Finance Commission. (AUD)

The **Georgia Highway Authority** is a body corporate and politic. This Authority was created to build, rebuild, relocate, construct, reconstruct, surface, resurface, layout, grade, repair, improve, widen, straighten, operate, own, maintain, lease and manage roads, bridges and approaches. The three members of the Authority are State officials designated by statute. (NSR)

The **Georgia International and Maritime Trade Center Authority** is a body corporate and politic. The Authority was created to develop and promote the growth of the State's import and export markets through its ports and other transportation modes, and to construct, operate and maintain the Savannah International Trade and Convention Center. (NSR)

The **Georgia Military College (GMC)** is a body corporate and politic, and is an instrumentality and a public corporation of the State. GMC is dedicated to providing a high-quality military education to the youth of the State. The Board of Trustees consists of the mayor of the City of Milledgeville and six additional members, one of which is elected from each of the six municipal voting districts of the City, as required by statute. The government, control, and management of GMC are vested in the Board of Trustees. GMC receives any designated funds appropriated by the General Assembly through the Board of Regents of the University System of Georgia. Although GMC does not meet the fiscal dependency or financial benefit/burden criteria, due to the nature and significance to the State and the potential assumption that GMC is the same as other colleges reported within the state reporting entity, management has determined that it would be misleading to exclude GMC from the state reporting entity. (NSR)

The **Georgia Public Telecommunications Commission** is a body corporate and politic. This Commission is a public charitable organization created for the purpose of providing educational, instructional and public broadcasting services to citizens of Georgia. The budget of the Commission must be approved by the State. (AUD)

The **Georgia Rail Passenger Authority** is a body corporate and politic. This Authority is responsible for construction, financing, operation and development of rail passenger service and other public transportation projects. (NSR)

The **Georgia Regional Transportation Authority** is a body corporate and politic. The purpose of the Authority is to manage land transportation and air quality within certain areas of the State. (NSR)

The **Georgia Seed Development Commission** is a body corporate and politic and an instrumentality and public corporation of the State whose purpose is to purchase, process, and resell breeders' and foundation seeds. (NSR)



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The **Georgia Student Finance Authority** is a body corporate and politic. This Authority was created for the purpose of improving higher educational opportunities by providing educational scholarship, grant and loan assistance. A substantial amount of funding is provided to the Authority by the State. (AUD)

The **Jekyll Island State Park Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created to operate and manage resort recreational facilities on Jekyll Island. (NSR)

The **Lake Lanier Islands Development Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to manage, preserve and protect projects on Lake Lanier Islands. (NSR)

The **North Georgia Mountains Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for the construction and management of recreation, accommodation and tourist facilities and services. (NSR)

The **OneGeorgia Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to promote the health, welfare, safety and economic society of the rural citizens of the State through the development and retention of employment opportunities in rural areas and the enhancement of the infrastructures that accomplish that goal. The six members of the Authority are State officials designated by statute. (NSR)

The **Regional Educational Service Agencies** were established to provide shared services to improve the effectiveness of educational programs and services of local school systems and to provide direct instructional programs to selected public school students. The State has 16 of these agencies. (NSR)

The **Sapelo Island Heritage Authority** is a body corporate and politic. The purpose of the authority is the preservation of the cultural and historic values of Hog Hammock Community located on Greater Sapelo Island. (NSR)

The **Stone Mountain Memorial Association** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for maintaining and operating of Stone Mountain as a Confederate memorial and public recreational area. (AUD)

The **Superior Court Clerks' Cooperative Authority** is a body corporate and politic and an instrumentality and public corporation of the State created to provide a cooperative for the development, acquisition and distribution of record management systems, information, services, supplies and materials for superior court clerks of the State. (AUD)

The **Higher Education Foundations and Similar Organizations** are nonprofit organizations established to secure and manage support for various projects including acquisitions and improvements of properties and facilities for units of the University System of Georgia. The following are the organizations included in the Higher Education Foundations:

- Georgia College & State University Foundation, Inc.
- Georgia State University Foundation
- Georgia Tech Athletic Association
- Georgia Tech Facilities, Inc.
- Georgia Tech Research Corporation



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Georgia Gwinnett College Foundation, Inc.  
Kennesaw State University Foundation, Inc.  
MCG Health System, Inc.  
Medical College of Georgia Foundation, Inc.  
Middle Georgia State College Real Estate Foundation, Inc.  
The Medical College of Georgia Physicians Practice Group Foundation  
University of Georgia Athletic Association, Inc.  
University of Georgia Foundation  
University of Georgia Research Foundation, Inc.  
University of North Georgia Real Estate Foundation, Inc.  
University System of Georgia Foundation, Inc.

#### **Fiduciary Component Units**

GAAP requires fiduciary component units to be reported as fiduciary funds of the primary government rather than as discrete component units. In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements. The State's two most significant fiduciary component units are the Employees' Retirement System of Georgia (System) and the Teachers Retirement System of Georgia (TRS). Fiduciary component units are detailed in the Fiduciary Funds portion of the Supplementary Information – Combining and Individual Fund Statements category of the Financial Section.

#### ***C. Government-wide and Fund Financial Statements***

##### **Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are financed through taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from its discretely presented component units.

The Statement of Net Position presents the State's non-fiduciary assets, liabilities and deferred outflows/inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net Investment In Capital Assets consists of capital assets, net of accumulated amortization/depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. In addition, deferred outflows/ inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first. Other funds not otherwise remitted to the State Treasury, which may be available from restricted or unrestricted net position should be utilized next, prior to the use of State funds.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

#### **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a separate column on the proprietary funds financial statements.

#### ***D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurements focus applied.

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when cash or other assets are received prior to being earned. Additionally, long-term assets and liabilities, such as capital assets and long-term debt, are included on the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues to be available if the revenues are collected within 30 days after fiscal year-end. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after year-end. All unearned revenue reported represents transactions for which assets have been received, but for which not all earning criteria have been met. Capital purchases are recorded as expenditures and neither capital assets nor long-term liabilities, such as long-term debt, are reflected on the balance sheet.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures generally are recorded when the related fund liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and other long-term liabilities, are recorded only when payment is due or (for debt service expenditures), when amounts have been accumulated in the debt service fund for payments to be made early in the subsequent fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The State's proprietary funds and discretely presented component units, other than certain higher education foundations and similar organizations, follow all GASB pronouncements, (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect). Certain higher education foundations and similar organizations report under the Financial Accounting Standards Board (FASB) standards; including FASB Codification Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The FASB reports were reclassified or reformatted, as applicable, to GASB presentation in these financial statements.

GAAP requires that revenues and expenses relating to summer school activities, the dates of which cross the State's fiscal year, are allocated between fiscal years rather than reported in a single fiscal year with the exception of teachers' salaries which are recorded in the fiscal year earned.

The State reports the following major funds:

#### Major Governmental Funds

**General Fund** – The principal operating fund of the State which accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**General Obligation Bond Projects Fund** – Accounts for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds) financed with general obligation bond proceeds, including educational facilities for county and independent school systems.

#### Major Enterprise Funds

**Higher Education Fund** – Accounts for the operations of State colleges and universities and State technical colleges. It also includes the blended component units affiliated with the universities.

**State Health Benefit Plan (SHBP)** – Administers self-insured program of health benefits for the employees of units of government of the State, units of county government and local education agencies located within the State.

**Unemployment Compensation Fund** – Accounts for the collection of employers' unemployment insurance tax and the payment of unemployment insurance benefits.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the State reports the following fund types:

#### Governmental Funds

**Special Revenue Funds** – Account for specific revenue sources that are legally restricted to expenditures for specific purposes. The State’s special revenue funds represent the blended component units that conduct general governmental functions and activities related to the Transportation Investment Act.

**Debt Service Funds** – Account for the payment of principal and interest on general long-term debt. The General Obligation Debt Sinking Fund, which is a legally mandated fund responsible for fulfilling annual debt service requirements on all general obligation debt, is included in this fund type, as is the SRTA Debt Service Fund.

**Permanent Funds** – Account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State’s programs. The only permanent fund the State has is the Pupils Trust Fund at Georgia Academy for the Blind.

#### Proprietary Funds

**Enterprise Funds** – Account for those activities for which fees are charged to external users for goods or services. These funds are also used when the activity is financed with debt that is secured by a pledge of the net revenues from fees and charges.

The State’s nonmajor enterprise fund is Georgia Higher Education Facilities Authority.

**Internal Service Funds** – Account for the financing of goods or services provided by one department or agency to other State departments or agencies, or to other governmental entities, on a cost-reimbursement basis. The predominant participant in internal service fund activity is the primary government. The activities accounted for in the State’s internal service funds include risk management, prison industries, property management, technology, and personnel administration.

#### Fiduciary Funds

**Pension and Other Employee Benefit Trust Funds** – Account for the retirement systems and plans administered by the System, TRS, and for pension plans administered on behalf of a variety of local government officials and employees. These funds also include those used to report the accumulation of resources for, and payment of other postemployment benefits.

**Investment Trust Funds** – Account for the external portions of government-sponsored investment pools, including Georgia Fund 1 and Georgia Extended Asset Pool.

**Private Purpose Trust Funds** – Report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Auctioneers Education Research and Recovery Fund, Real Estate Education, Research, and Recovery Fund and the Subsequent Injury Trust Fund are reported in this category.

**Agency Funds** – Account for the assets and liabilities for deposits and investments entrusted to the State as an agent for other governmental units, other organizations, or individuals. These funds include tax collections, child support recoveries, and correctional detainees’ accounts.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances*

##### **Cash and Cash Equivalents**

Cash and cash equivalents include currency on hand and demand deposits with banks and other financial institutions and short-term, highly liquid investments with maturity dates within three months of the date acquired, such as certificates of deposit, money market certificates and repurchase agreements. Cash and cash equivalents also include the holdings of Georgia Fund 1 and the Board of Regents short-term fund.

##### **Investments**

Investments include financial instruments with terms in excess of three months from the date of purchase, certain other securities held for the production of revenue, and land and other real estate held as investments by endowments. Investments are presented at fair value. Changes in the fair value of land and other real estate held as investments by endowments are reported as investment income.

The State's External Investment Pools (described below) generally value investments as follows:

- All investments except repurchase agreements, non-negotiable certificates of deposit ("CD"), direct-issued commercial paper, and other such nonparticipating investments are priced at fair value.
- Repurchase agreements, non-negotiable CD's, direct-issued commercial paper, and other such nonparticipating investments are carried at cost because they are nonparticipating contracts that do not capture interest rate changes in their value.

Security transactions are accounted for on a trade date basis which means that the purchases and sales of securities are recorded on the day the trade takes place with a corresponding payable or receivable.

The State's Unemployment Compensation Fund monies are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the Securities and Exchange Commission. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

##### **External Investment Pools**

The State Depository Board may permit any department, board, bureau or other agency to invest funds collected directly by such organization in short-term time deposit agreements, provided that the interest income of those funds is remitted to the State Treasurer as revenues of the State. As a matter of general practice, however, demand funds of any department, board, bureau or other agency in excess of current operating expenses are required to be deposited with the State Treasurer for the purpose of pooled investment per Official Code of Georgia (O.C.G.A.) 50-17-63. Such cash is managed primarily in pooled investment funds to maximize interest earnings. The pooled investment funds "Georgia Fund 1" and "Georgia Extended Asset Pool" are also available on a voluntary basis to organizations outside of the State reporting entity. The funds in the local government investment pool may be consolidated with State funds under control of the State Treasurer for investment purposes, per O.C.G.A. 36-83-8.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Georgia Fund 1** – The Georgia Fund 1 or the Primary Liquidity Portfolio’s primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. The Pool operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees of the pool are allocated to participants monthly on the ratio of the participant’s share of the total funds in the pool based on the participant’s average daily balance. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool’s investments. Investments in the pool are reported as cash and cash equivalents on the financial statements and for purposes of reporting cash flows.

**Georgia Extended Asset Pool** – The Georgia Extended Asset Pool (GEAP) is part of the Extended Term Portfolio. The pool’s primary objective is the prudent management of public funds on behalf of the State and local governments seeking income higher than money market rates. Net Asset Value (NAV) is calculated daily to determine current share price. NAV is calculated by taking the closing fair value of securities owned plus other assets and subtracting liabilities. The remainder is then divided by the total number of shares outstanding to compute NAV per share (current share price). The pool distributes earnings (net of management fees) on a monthly basis and determines participants’ shares sold and redeemed based on the current share price. Investments consist generally of securities issued or guaranteed as to principal and interest by the U.S. Government or any of its agencies or instrumentalities, bankers’ acceptances and repurchase agreements. Holdings in GEAP are reported as investments on the financial statements.

#### **Receivables**

Receivables in the State’s governmental funds pertain primarily to the accrual of taxes, as well as to federal grants and to revenues related to charges for services. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded, net of an allowance for uncollectible accounts, when either the asset or revenue recognition criteria (See Note 1-D) have been met. Receivables from the federal government are reasonably assured; an allowance for uncollectible accounts is not typically established for federal receivables. In the governmental fund financial statements, the portion considered “available” is recorded as revenue; the remainder is recorded as a deferred inflow of resources-unavailable.

#### **Inventories and Prepaid Items**

Inventories of supplies and materials are determined by physical count and/or perpetual inventory records and are valued at cost, weighted average cost, moving average cost, or lower of weighted average cost or market, using the first-in/first-out (FIFO) method, depending on the individual organization’s preference. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased for larger agencies and agencies with material inventories. Other agencies may use either the purchase or consumption method.

Prepaid items include payments made to vendors and local government organizations for services that will benefit periods beyond the fiscal year-end. Also, the employer’s portion of health insurance benefits applicable to coverage effective after the fiscal year-end is recorded as a prepaid item.

The fund balance of governmental funds is reported as nonspendable for inventories and prepaid items to indicate that these amounts do not represent expendable available financial resources.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Restricted Assets

Certain cash and cash equivalents, investments, and other assets are classified as restricted assets on the Balance Sheet and/or Statement of Net Position because their use is limited by applicable bond covenants, escrow arrangements or other regulations.

#### Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the government-wide Statement of Net Position. Capital assets of the State's proprietary funds and component units are capitalized in the fund in which they are utilized. Capital assets are stated at historical cost or, in some instances, estimated historical cost. Estimation methods include using historical sources to determine the cost of similar assets at the time of acquisition and indexing where the historical cost of an asset is estimated by taking the current cost of a similar asset and dividing it by an index figure which adjusts for inflation. Donated capital assets are stated at acquisition value at the time of donation and disposals are removed at recorded cost. Infrastructure and intangible assets, as defined by the State's policy, acquired after June 30, 1980, are reported.

All acquisitions in the following asset categories are capitalized regardless of cost:

- Land and non-depreciable land improvements
- Bridges and roadways included in the State highway system
- Works of art and collections, acquired or donated, unless held for financial gain

Amounts for other asset categories are capitalized when the cost or value equals or exceeds the following thresholds. Items acquired through capital leases or donations are subject to these capitalization thresholds, using the classifications most closely related to the leased or donated assets.

<b>Asset Category</b>	<b>Threshold</b>
Infrastructure other than bridges and roadways in State highway system	\$1,000,000
Software	\$1,000,000
Intangible assets, other than software	\$ 100,000
Buildings and building improvements	\$ 100,000
Improvements other than buildings	\$ 100,000
Library collections – capitalize all if collection equals or exceeds	\$ 100,000
Machinery and equipment	\$ 5,000

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. The State holds certain assets such as works of art, historical documents, and artifacts that have not been capitalized or depreciated because either they are held for financial gain or they are protected and preserved for exhibition, education, or research and are considered to have inexhaustible useful lives. Major outlays for construction of bridges and roadways in the State highway system are capitalized as projects are constructed. All other major construction projects are capitalized when projects are completed. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The government-wide, proprietary fund and component unit financial statements report depreciation expense.

Capital assets without indefinite or inexhaustible useful lives are generally amortized or depreciated on the straight-line basis over the following useful lives:

Infrastructure	10-100 years
Buildings and building improvements	5-60 years
Improvements other than buildings	15-50 years
Machinery and equipment	3-20 years
Software	3-10 years
Intangible assets, other than software	20 years
Library collections	10 years
Works of art and collections	5-40 years

#### **Deferred Outflows of Resources**

In addition to assets, the government-wide and fund financial statements will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

#### **Compensated Absences**

Employees earn annual leave ranging from 10 to 14 hours each month depending upon the employee's length of continuous State service with a maximum accumulation of 45 days. Employees are paid for unused accumulated annual leave upon retirement or termination of employment. Funds are provided in the appropriation of funds each fiscal year to cover the cost of annual leave of terminated employees. The State's obligation for accumulated unpaid annual leave is reported as a liability in the government-wide and proprietary fund financial statements based on current rates of pay in effect at the end of the reporting period.

Employees earn 10 hours of sick leave each month with a maximum accumulation of 90 days. Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment. However, certain employees who retire with 120 days or more of forfeited annual and sick leave are entitled to additional service credit in the Employees' Retirement System. No liability is recorded for rights to receive sick pay benefits.

#### **Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column or business-type activities column on the government-wide Statement of Net Position and on the proprietary fund Statement of Net Position in the fund financial statements. Bond discounts and premiums are deferred and amortized over the life of the bonds using a method that approximates the effective interest method or the straight-line method. Bonds payable are reported net of the unamortized bond premium or discount. Bond issuance costs are recognized during the current period.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The *Tax Reform Act of 1986* requires governmental organizations issuing tax-exempt bonds to refund to the U.S. Treasury, interest earnings on bond proceeds in excess of the yield on those bonds. Governmental organizations must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Organizations are required to remit arbitrage rebate payments for non-purpose interest to the federal government at least once every five years over the life of the bonds. Arbitrage liability is treated as an expense in the government-wide statements when the liability is recognized. In the fund financial statements, governmental funds report arbitrage (other debt service) expenditures when the liability is due.

Pollution remediation obligations are recorded when the State knows that a site is polluted and one or more obligating events have occurred. The amount recorded is an estimate of the current value of potential outlays for the cleanup, calculated using the “expected cash flows” measurement technique.

#### **Deferred Inflows of Resources**

In addition to liabilities, the government-wide and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### **Net Position**

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is “Net Position” on the government-wide, proprietary fund and fiduciary fund financial statements.

Net position is reported as net investment in capital assets, restricted or unrestricted. “Net Investment in Capital Assets” consists of capital assets, net of accumulated amortization/depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are included in Net Investment in Capital Assets. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount are not included.

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

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

When both restricted and unrestricted net position are available for use, it is the State’s policy to first utilize federal funds available from restricted net position. Other funds not otherwise remitted to the State Treasury, which may be available from restricted or unrestricted net position should be utilized next, prior to the use of State funds.





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fund Balances

Generally, fund balance represents the difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted into cash or (b) legally or contractually required to be maintained intact, such as inventory, prepaid items, and the principal in a permanent fund.

**Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the State or through the external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal actions of both the Governor and the General Assembly. The Georgia Legislature and Governor represent the State's highest level of decision-making authority. Formal action consists of legislation passed by both the House and Senate and signed by the Governor and is required to establish, modify or rescind a limitation.

**Assigned** – Fund balances are reported as assigned when amounts are constrained by the State's intent that they be used for specific purposes, but they are neither restricted nor committed. Assignments may be made under statutory authority of management of the reporting organizations in the State.

**Unassigned** – The residual amount of fund balance is reported as unassigned for balances that do not meet the above constraints. The government reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

As with net position, when both restricted and unrestricted (committed, assigned, unassigned) fund balances are available for use, it is the State's policy to first utilize federal funds available from restricted fund balance. Other funds not otherwise remitted to the State Treasury, which may be available from restricted, committed or assigned fund balance should be utilized next, prior to the use of State funds when expenditures are incurred for purposes for which amounts in any of those funding sources could be used. Within unrestricted fund balance, after the above consideration of funding source, the State's policy is that committed amounts generally should be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

#### Interfund Activity and Balances

Equally offsetting asset and liability accounts (due from/to other funds) are used to account for amounts owed to a particular fund by another fund for obligations on goods sold or services rendered.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of activities between governmental activities and business-type activities. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or requirements for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which



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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

expends the resources. Transfers of balances between funds are made to accomplish various provisions of law.

Interfund payables and receivables have been eliminated from the Statement of Net Position except for amounts due between governmental and business-type activities. These amounts are reported as internal balances on the Statement of Net Position.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

#### A. *Implementation of New Accounting Standards*

In fiscal year 2016, the State implemented the following new GASB Statements:

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. Adoption of this Statement did not require modification of the financial statements.

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*, improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Adoption of this Statement did not require modification of the financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Adoption of this Statement did not require modification of the financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Adoption of this Statement did not require modification of the financial statements.

GASB Statement No. 82, *Pension Issues*, addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The State early implemented the portion of the statement as it relates to the presentation of payroll-related measures in required supplementary information. Adoption of this Statement did not require modification of the financial statements.

In fiscal year 2017, the State will implement the following GASB Statements:

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

No. 77 *Tax Abatement Disclosures*



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (continued)

No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

No. 80 *Blending Requirements for Certain Component Units*

No. 82 *Pension Issues*

The objective of Statement No. 74 is to improve the usefulness of other postemployment benefits (OPEB) information included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement requires more extensive note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.

The objective of Statement No. 77 is to define tax abatement and provide disclosure guidance for governments that have granted tax abatements.

The objective of Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. It 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 to both 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). It establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. It amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The objective of Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. In addition to the portion early implemented in fiscal year 2016 as described above, this statement addresses issues regarding (1) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (2) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

As of the date of this report, the State has not determined the financial impact of implementing Statements No. 74, 77, 78, 80 and 82.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (continued)

#### *B. Change in Financial Reporting Entity*

##### **Primary Government**

In fiscal year 2016, it was determined that the Georgia State University Research Foundation, Inc. no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds, which decreased beginning net position in the amount of \$24.7 million.

The determination was made that Georgia Tech Facilities Foundation, Middle Georgia State College Real Estate Foundation, University of North Georgia Real Estate Foundation and the University System of Georgia Foundation no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. However, the determination was made that it would be misleading to exclude these foundations from the financial reporting entity. Therefore, these foundations are reported as discretely presented component units. The effect of this determination was a decrease to nonmajor enterprise funds beginning net position and an increase to discretely presented component unit beginning net position in the amount of \$47.1 million.

The Georgia Southern University Housing Foundation, Inc., the Valdosta State University Auxiliary Service Real Estate Foundation, Inc. and the University of West Georgia Real Estate Foundation, Inc., were previously reported as nonmajor enterprise funds. However, these foundations are now reported as part of the Higher Education Fund in fiscal year 2016. The effect of this presentation change was a decrease to nonmajor enterprise funds beginning net position and an increase to the Higher Education Fund beginning net position in the amount of \$51.8 million.

##### **Component Units**

In addition to foundations mentioned above, it was determined that MCG Physicians Practice Group Foundation and Georgia Gwinnett College Foundation, Inc. met requirements for inclusion as discretely presented component units for fiscal year 2016, which increased beginning net position in the amount of \$62.4 million.

#### *C. Changes in Accounting Principles*

##### **Primary Government**

For fiscal year 2016, the Board of Regents of the University System of Georgia, a component of the Higher Education Fund, increased beginning net position related to the re-evaluation of capital lease agreements between various institutions and their related foundations in the amount of \$3.4 million.

##### **Component Units**

The Georgia Tech Foundation, Incorporated, a component unit, decreased July 1, 2015 net position in the amount of \$18.5 million related to a change in the method of amortizing their investment in capital lease receivable. In fiscal year 2015, the foundation amortized their lease receivable on the straight line method. For fiscal year 2016, the foundation started amortizing the lease receivable on the effective interest method.

During the fiscal year, the University of Georgia Foundation, a nonmajor component unit, decreased beginning net position related to an elimination in their investment in a subsidiary in the amount of \$2.5 million. This change is in accordance with generally accepted accounting principles.

The July 1, 2015 balances were restated for component units Georgia State University Foundation, Georgia College & State University Foundation, Inc., Kennesaw State University Foundation, Inc., Middle Georgia State College



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 2 – CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (continued)

Real Estate Foundation, Inc., University of North Georgia Real Estate Foundation, Inc., University System of Georgia Foundation, Inc. and Georgia Tech Foundation, Inc. in the amounts \$16.1, \$1.7, \$6.1, \$1.9, \$2.7, \$(10.5) and \$2.0 million, respectively, resulting in a net increase in net position of \$20.0 million. The restatement was necessary due to management's decision not to convert the discretely presented component units utilizing FASB standards to GASB standards. This change is in accordance with generally accepted accounting principles.

#### *D. Correction of Prior Year Errors*

##### **Primary Government**

During the fiscal year, it was determined that capital lease liabilities for the Georgia Building Authority in fiscal year 2015 were overstated by \$4.9 million, resulting in an understatement of net position within internal service funds, as reported. The beginning net position of the Georgia Building Authority was increased to reflect correction of these liabilities.

During the fiscal year, it was determined that capital assets were understated at the Board of Regents of the University System of Georgia by \$2.1 million in fiscal year 2015, resulting in an understatement of net position in the Higher Education Fund. An adjustment was made in fiscal year 2016 to increase net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that construction in progress at the Department of Public Safety was overstated by \$19.5 million in fiscal year 2015, resulting in an overstatement of net position in the governmental activities. An adjustment was made in fiscal year 2016 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that construction in progress at the Department of Transportation was overstated by \$30.2 million in fiscal year 2015, resulting in an overstatement of net position in the governmental activities. An adjustment was made in fiscal year 2016 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that prior period adjustments needed to be made in fiscal year 2016 for unrecorded liabilities and related revenue along with additional revenues not previously recorded in fiscal year 2015. As a result of these adjustments, net position was decreased by \$0.1 million for internal service funds and \$78.2 million for governmental activities.

##### **Component Units**

During the fiscal year, it was determined that incorrect revenue recognition at OneGeorgia Authority resulted in a prior period adjustment which increased net position by \$92.4 million for nonmajor component units.

During the fiscal year, it was determined that prior period adjustments needed to be made in fiscal year 2016 for unrecorded liabilities and related revenue along with additional revenues not previously recorded in fiscal year 2015. As a result of these adjustments, net position was decreased by \$0.1 million for component units.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 3 – FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

Reclassifications and Restatements consisted of the following (amount in thousands):

	6/30/2015 As Previously Reported	Change in Financial Reporting Entity	Change in Accounting Principles	Correction of Prior Year Errors	6/30/2015 (Restated)
<b>Governmental Funds and Activities</b>					
Major Funds:					
General Fund	\$ 5,070,419	\$ -	\$ -	\$ (74,044)	\$ 4,996,375
General Obligation Bond Projects Fund	810,179	-	-	(917)	809,262
Nonmajor Funds:					
Special Revenue Funds	319,325	-	-	(3,287)	316,038
Debt Service Fund	5,678	-	-	-	5,678
Permanent Fund	14	-	-	-	14
<b>Total Governmental Funds</b>	<b>6,205,615</b>	<b>-</b>	<b>-</b>	<b>(78,248)</b>	<b>6,127,367</b>
Government-wide Adjustments					
Capital Assets, net of depreciation	20,039,857	-	-	(49,701)	19,990,156
Other Noncurrent Assets and Liabilities	(528,381)	-	-	45	(528,336)
Deferred Outflows of Resources	1,538,819	-	-	-	1,538,819
Long-Term Liabilities Related to Debt	(10,514,816)	-	-	-	(10,514,816)
Pensions	(3,841,430)	-	-	-	(3,841,430)
Inclusion of Internal Service Funds in Governmental Activities	416,649	-	-	4,769	421,418
<b>Total Governmental Funds and Activities</b>	<b>\$ 13,316,313</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (123,135)</b>	<b>\$ 13,193,178</b>
<b>Proprietary Funds and Business-type Activities</b>					
Major Funds:					
Higher Education Fund	\$ 3,362,933	\$ 51,842	\$ 3,353	\$ 2,053	\$ 3,420,181
State Health Benefit Plan	600,731	-	-	-	600,731
Unemployment Compensation Fund	989,920	-	-	-	989,920
Nonmajor Funds:					
Enterprise Funds	124,885	(123,635)	-	-	1,250
Internal Service Funds	271,868	-	-	4,767	276,635
Internal Service Funds Look-Back Adjustments Removal of Internal Service Funds Relating to Governmental Activities	(416,649)	-	-	(4,769)	(421,418)
<b>Total Proprietary Funds and Business-type Activities</b>	<b>\$ 4,933,688</b>	<b>\$ (71,793)</b>	<b>\$ 3,353</b>	<b>\$ 2,051</b>	<b>\$ 4,867,299</b>
<b>Fiduciary Funds</b>					
Pension and Other Employee Benefit Trust Funds	\$ 85,733,674	\$ -	\$ -	\$ -	\$ 85,733,674
Investment Trust Funds	6,444,163	-	-	-	6,444,163
Private Purpose Trust Funds	18,801	-	-	-	18,801
<b>Total Fiduciary Funds</b>	<b>\$ 92,196,638</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,196,638</b>
<b>Discretely Presented Component Units</b>	<b>\$ 8,169,262</b>	<b>\$ 109,544</b>	<b>\$ (1,034)</b>	<b>\$ 92,326</b>	<b>\$ 8,370,098</b>
<b>Total Reporting Entity</b>	<b>\$ 118,615,901</b>	<b>\$ 37,751</b>	<b>\$ 2,319</b>	<b>\$ (28,758)</b>	<b>\$ 118,627,213</b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 4 – NET POSITION AND FUND BALANCES

#### A. *Restricted Net Position*

Restricted net position at June 30, 2016 is as follows (amount in thousands):

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Bond Covenants/Debt Service	\$ 2,734	\$ 26,475	\$ 29,209
Capital Projects	-	13,771	13,771
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003
Higher Education	-	197,177	197,177
Lottery for Education	1,055,989	-	1,055,989
Motor Fuel Tax Funds	2,571,221	-	2,571,221
Permanent Trusts	14	182,069	182,083
Unemployment Compensation Benefits	-	1,418,029	1,418,029
Other Purposes	815,053	-	815,053
<b>Total Restricted Net Position</b>	<b>\$ 4,499,014</b>	<b>\$ 1,837,521</b>	<b>\$ 6,336,535</b>

The restricted net position of the governmental activities includes \$119.2 million of net position restricted by enabling legislation.





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 4 – NET POSITION AND FUND BALANCES (continued)

#### B. Fund Balances

The specific purposes of the governmental funds fund balances, classified as other than unassigned, at June 30, 2016 are as follows (amount in thousands):

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable Fund Balance</b>				
Not in Spendable Form	\$ 66,744	\$ -	\$ 122	\$ 66,866
Legally Required to be Maintained Intact	-	-	14	14
<b>Total Nonspendable Fund Balance</b>	<b>\$ 66,744</b>	<b>\$ -</b>	<b>\$ 136</b>	<b>\$ 66,880</b>
<b>Restricted Fund Balance</b>				
Capital Projects	\$ -	\$ 930,930	\$ -	\$ 930,930
Guaranteed Revenue Debt				
Common Reserve Fund	54,003	-	-	54,003
Administrative Support for Health Care Programs	46,165	-	-	46,165
Emission Regulation	7,400	-	-	7,400
Endangered Species Monitoring	5,425	-	-	5,425
Jasper Ocean Terminal Project	7,551	-	-	7,551
Lottery For Education	1,055,989	-	-	1,055,989
Roads and Bridges (Motor Fuel Tax Funds)	2,472,234	-	98,987	2,571,221
Unclaimed Property	80,312	-	-	80,312
Underground Storage Tank Trust Fund	34,906	-	-	34,906
Unissued Debt/Debt Service	114,965	-	2,734	117,699
Upgrade and Renovation of Highway Rest Areas and Welcome Centers	60,519	-	-	60,519
Utility Location, Planning and Coordination of Transportation Projects	10,784	-	-	10,784
Victims of Violent Crime	43,594	-	-	43,594
Other				
General Government	13,784	18,389	-	32,173
Education	968	-	-	968
Health and Welfare				
Community Health	14,400	-	-	14,400
Human Services	22,974	-	-	22,974
Public Health	11,166	-	-	11,166
Other	1,851	-	-	1,851
Transportation	19,257	-	191,079	210,336
Public Safety	13,480	-	-	13,480
Economic Development and Assistance	6,534	-	-	6,534
Culture and Recreation	14,300	-	-	14,300
<b>Total Restricted Fund Balance</b>	<b>\$ 4,112,561</b>	<b>\$ 949,319</b>	<b>\$ 292,800</b>	<b>\$ 5,354,680</b>
<b>Committed Fund Balance</b>				
General Government	\$ 6,499	\$ -	\$ -	\$ 6,499
Health and Welfare	1,486	-	-	1,486
Public Safety	1,302	-	-	1,302
	<b>\$ 9,287</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,287</b>
<b>Assigned Fund Balance</b>				
General Government	\$ 96,859	\$ 27,389	\$ 524	\$ 124,772
Education	18,439	-	-	18,439
Health and Welfare	123,985	-	-	123,985
Community and Hospital Operations				
Other				
Transportation	18,646	-	39,977	58,623
Public Safety	48,972	-	-	48,972
Economic Development and Assistance	5,409	-	473	5,882
Culture and Recreation	30,746	-	925	31,671
Conservation	2,611	-	-	2,611
<b>Total Assigned Fund Balance</b>	<b>\$ 345,667</b>	<b>\$ 27,389</b>	<b>\$ 41,899</b>	<b>\$ 414,955</b>



## **NOTE 4 – NET POSITION AND FUND BALANCES (continued)**

### **Deficit Net Position**

The following total net position deficits at June 30, 2016 were:

- 1) The governmental activities of the State ended the year with an Unrestricted Net Position deficit of \$5.7 billion. The deficit is a result of pension liabilities and the continued practice of incurring debt for the purposes of capital acquisition and construction on behalf of county and independent school systems, business-type activities and State schools. As of June 30, 2016 outstanding general obligation bonds applicable to these projects was \$5.2 billion. Since the incurrence of this debt does not result in capital assets acquisitions for governmental activities, the debt is not reflected in the net position category, Net Investment in Capital Assets, but rather in the unrestricted net position category. The unrestricted deficit balance of the primary government however has been adjusted for the governmental activities outstanding debt balances related to capital assets reported in business-type activities in the amount of \$2.9 billion.
- 2) The Georgia Technology Authority also ended the year with a total net position deficit of \$16.7 million, due primarily to an \$18.8 million claim settled with the U.S. Department of Health and Human Services related to the Statewide Cost Allocation Plan for the fiscal years 2004 to 2009.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2016 are classified in the accompanying financial statements as follows (amount in thousands):

	<b>Primary Government and Fiduciary Funds</b>	<b>Component Units</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 9,108,598	\$ 1,972,198	\$ 11,080,796
Investments	3,303,109	3,348,739	6,651,848
Restricted Assets			
Cash and Cash Equivalents	246,422	272,407	518,829
Investments	185,411	485,382	670,793
Fiduciary Funds			
Cash and Cash Equivalents	9,681,343	-	9,681,343
Investments	81,651,744	-	81,651,744
<b>Total Cash and Investments</b>	<b>\$ 104,176,627</b>	<b>\$ 6,078,726</b>	<b>\$ 110,255,353</b>

Cash on hand, deposits and investments as of June 30, 2016 consist of the following (amount in thousands):

	<b>Primary Government and Fiduciary Funds</b>	<b>Component Units</b>	<b>Total</b>
Cash on Hand	\$ 1,963	\$ 68	\$ 2,031
Deposits with Financial Institutions (Note 5A)	3,494,337	765,445	4,259,782
Investments (Note 5B)	88,583,838	3,773,025	92,356,863
Investments in Georgia Fund 1 (Note 5C)	12,043,720	1,376,575	13,420,295
Investments in Georgia Extended Assets Pool (Note 5C)	129,394	86,988	216,382
Assets Held at the Board of Regents on Behalf of Other Organizations	(76,625)	76,625	-
<b>Total Cash and Investments</b>	<b>\$ 104,176,627</b>	<b>\$ 6,078,726</b>	<b>\$ 110,255,353</b>

#### A. Deposits

Deposits include certificates of deposit and demand deposit accounts, including certain interest bearing demand deposit accounts, referred to in Note 5B. Investments as presented, on the following pages as negotiated investment deposit agreements (deposit agreements). The State Depository Board (Board) has authority to determine collateral requirements for State demand deposit accounts. Prior to October 2008, the Board waived collateral on State demand deposits in qualified State depositories. However, beginning in October 2008, in response to the U.S. financial crisis, the Board required collateralization of all uninsured State deposits until September 2012, when its investment policy was amended to permit the Office of the State Treasurer (OST) to diversify its portfolio to include investments in deposit agreements that are with highly rated U.S. banks classified to be low or very low risk, as measured by the OST counterparty risk assessment model.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

The Board permits OST to invest in deposit agreements in approved banks as an alternative to purchasing commercial paper and corporate notes issued by highly rated U.S. banks because of the clear preference of all depositor claims, insured and uninsured, over general creditors. OST has been advised that there is a clear and significant difference in favor of deposits over commercial paper in the event of insolvency or liquidation of a U.S. bank thus, OST gives preference to interest bearing demand deposits due to both a preference in safety of capital and daily liquidity. For any single financial institution, investments deposit agreements, in approved banks that are not collateralized or secured as described below, together with purchases of commercial paper, cannot exceed 5% of total portfolio assets invested by OST. In fiscal year 2016, OST had deposit agreements at eight qualifying institutions in lieu of holding commercial paper or corporate notes issued by those institutions. (See “OST Investment Policy” below, for additional information.)

As of June 30, 2016, OST had \$458.6 million invested in negotiated deposit agreements, of which, \$329.0 million was insured or fully collateralized and \$129.6 million was uncollateralized. These deposits are included in the table on the following page.

Other than the deposit agreements referenced above, State demand deposits, time deposits and other certificates of deposit must be secured by eligible collateral, a Federal Home Loan Bank letter of credit, or a surety bond approved by the Board. There are currently no issuers of surety bonds that have been approved by the Board. Eligible collateral includes any one or more of the following securities as enumerated in O.C.G.A. 50-17-59:

- 1) Bonds, bills, certificates of indebtedness, notes or other direct obligations of the United States or of the State.
- 2) Bonds, bills, certificates of indebtedness, notes or other obligations of the counties or municipalities of the State.
- 3) Bonds of any public authority created by the laws of the State, providing that the statute that created the authority authorized the use of the bonds for this purpose, the bonds have been duly validated and they are not in default.
- 4) Industrial revenue bonds and bonds of development authorities created by the laws of the State.
- 5) Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the U.S. Government, which are fully guaranteed, both as to principal and interest and debt obligations issued, 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 and the Federal National Mortgage Association.

The Board is authorized in O.C.G.A. 50-17-58 to allow agencies of the State the option of exempting demand deposits from the collateral requirements. Currently, the Board has only authorized OST to waive collateral on special accounts approved by the Board, as referenced above, in accordance with its investment policy. The Board requires all other State demand deposits, time deposits and certificates of deposits to be collateralized in an amount equal to and not less than 110% of any deposit not insured by the FDIC. In addition, the Board instituted a requirement to limit total State deposits at any State depository to not exceed 100% of the depository’s equity capital. The Board may temporarily increase the total State deposit limit at any State depository to 125% of equity capital to allow for fluctuation in demand deposit balances. Credit unions are not authorized to serve as State depositories.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 5 – DEPOSITS AND INVESTMENTS (continued)**

**Custodial Credit Risk – Deposits**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State’s deposits may not be recovered. The OST Investment Policy specifies safety of capital as the first priority in investing funds and liquidity as the second priority, followed by investment return and diversification. In adherence to these objectives, OST maintains balances in deposit agreements in approved banks for investment unless commercial paper issued by those financial institutions offers a risk-adjusted advantage. OST closely monitors the credit of U.S. banks having deposit agreements. At June 30, 2016, bank balances of the primary government and its component units’ deposits totaled \$4.1 billion. It includes balances reported in fiduciary funds other than Pension and Other Employee Benefit Trust Funds as these balances are not separable from the holdings of the primary government. Of these deposits, \$425.4 million were exposed to custodial credit risk as follows (amount in thousands):

	<b>Primary Government</b>	<b>Component Units</b>	<b>Total</b>
Uninsured and uncollateralized	\$ 175,167	\$ 12,903	\$ 188,070
Uninsured and collateralized with securities held by the pledging financial institutions	1,416	5,004	6,420
Uninsured and collateralized with securities held by the pledging institutions' trust departments or agents, but not in the State's name	102,879	128,039	230,918
<b>Total deposits exposed to custodial credit risk</b>	<b>\$ 279,462</b>	<b>\$ 145,946</b>	<b>\$ 425,408</b>

The carrying amounts of deposits of certain higher education foundations which utilize FASB standards were \$198.0 million. These deposits are not included in the balances reflected above.

***B. Investments***

**Investment Policies**

**Primary Government**

*Office of the State Treasurer Investment Policy*

The predominant portions of the primary government’s investments are managed by OST and the Board of Regents of the University System of Georgia (BOR). OST’s and BOR’s investment policies are therefore presented as the investment policies of the primary government.

The State Depository Board has adopted two investment policies to govern State investments:

- 1) The Investment Policy for the Office of the State Treasurer (OST Investment Policy) dictates investment of assets managed by OST.
- 2) The Investment Policy for Approved State Investment Accounts (Investment Policy for Approved Agency Accounts) governs investments managed by organizations other than OST.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### *OST Investment Policy*

OST is the only organization approved by the Board to invest funds pursuant to the OST Investment policy. The State Treasurer shall invest all funds with the degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment. OST is to invest all funds prudently, considering first, the probable safety of capital and then probable income, while meeting daily cash flow requirements and conforming to all statutes governing the investment of public funds.

OST is authorized to invest in securities and other investments as permitted in O.C.G.A. Sections 50-5A-7, 50-17-2, 50-17-27 and 50-17-63. Authorized investments are subject to certain restrictions pursuant to the OST Investment Policy and specific guidelines for the individual portfolios managed by OST. Authorized investments and related restrictions and guidelines are described below:

- 1) Obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States.
- 2) Repurchase agreements – Repurchase agreements and reverse repurchase agreements may be transacted with authorized dealers and banks that are rated investment grade by one or more nationally recognized rating agency or are determined by the State Treasurer to have adequate capital and liquidity, with maximum exposure per institution determined by the State Treasurer and adjusted as needed due to the financial condition of such institutions, the size of the OST investment portfolios, and in accordance with the OST counterparty risk assessment model. Repurchase agreements must be collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States Government or other securities authorized for investment by the State Treasurer in subsection (b) of O.C.G.A. 50-17-63, such collateral having a market value ranging from 102% to 105% of the investment dependent upon the type collateral pledged. Collateral must be held by a third party custodian approved by the State Treasurer and marked to market daily. Exceptions to the requirements for third party custody of collateral or collateral requirements may be approved by the State Treasurer for authorized institutions if necessary on occasion. All counterparties, and exceptions to custody and collateral requirements shall be reported by the State Treasurer to the State Depository Board. All reverse repurchase agreements shall be approved in advance by the State Treasurer.
- 3) Certificates of deposit (“CD’s”) – The maximum term of CD’s shall not exceed five years. OST shall not place funds in CD’s at any depository if such placement of funds will result in total state deposits at such depository in excess of 100% of total equity capital. Provided, however, that the State Treasurer may authorize placement of funds in CD’s at a depository if such placement of funds will result in total state deposits not to exceed 125% of total equity capital on an as needed basis to allow for fluctuations in demand deposit balances. All CD’s must be secured by collateral permitted by statute. Surety bonds acceptable as security for CD’s shall require approval by the State Depository Board. Pledged securities shall be held by a third party custodian approved by OST. Pledged securities shall be marked-to-market at least monthly with depositories required to initially pledge to OST, and thereafter maintain upon notification or any shortfall, collateral having a market value equal to 110% of CD’s.
- 4) Commercial paper (“CP”) – CP issued by domestic corporations carrying ratings no lower than P-1 by Moody’s Investors Service and A-1 by Standard & Poor’s Corporation, in an amount, including the balance of any negotiated investment deposit agreements described in (5) (d), below, that does not exceed 5% of total portfolio assets for any single issuer.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

- 5) Negotiated investment deposit agreements – Deposit agreements with banks that are (a) secured by collateral permitted by statute, held by a third party custodian, marked to market daily, and having a market value equal to or exceeding 110% of the deposits; (b) fully secured by a letter of credit issued by the Federal Home Loan Bank; (c) fully secured by a surety bond issued by a financial institution approved by the State Depository Board; or, (d) subject to funds being available upon demand, with U.S. banks carrying ratings no lower than P-2 by Moody’s Investors Service or A-2 by Standard & Poor’s Corporation, are determined by the State Treasurer to have adequate capital, with maximum exposure per institution determined by the State Treasurer and adjusted as needed due to the financial condition of such institutions, the size of the OST investment portfolios, and in accordance with the OST counterparty risk assessment model in an amount, including any CP issued by the respective financial institution held for investment by OST, that does not exceed 5% of portfolio assets for any single institution.
- 6) Prime bankers acceptances – Bankers acceptances must carry the highest rating assigned to such investments by a nationally recognized rating agency.
- 7) Obligations issued by this State or its agencies or other political subdivisions of this State – Such investments, if meeting statutory investment requirements, may be approved for investment by the State Treasurer with the requirement that they are of high credit quality and are reported to the State Depository Board.
- 8) Obligations of corporations – Obligations of domestic corporations must be rated investment grade or higher by a nationally recognized rating agency.
- 9) Obligations issued by the government of any foreign country – Direct obligations of the government of any foreign country must be rated A or higher by a nationally recognized rating agency.
- 10) International Bank for Reconstruction and Development or the International Financial Corporation – Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation must be rated A or higher by a nationally recognized rating agency.
- 11) Such other limitations as determined by the State Treasurer to be necessary for the preservation of principal, liquidity or marketability of any of the portfolios, including allowing investment in any single issuer of CP as described in (4) above or deposits in negotiated investment deposit agreements as described in (5) above to temporarily exceed 5% for a period not to exceed 10 business days to allow for efficient investment of accounts experiencing significant fluctuation of balances.

#### *Investment Policy for Approved Agency Accounts*

The OST Investment Policy does not authorize organizations other than OST to invest funds. O.C.G.A. 50-17-63(a) requires all demand funds held by any State organization to be deposited in accounts at State depositories approved by the Board. In the alternative, with prior approval of the Board, an organization may be permitted to invest in time deposits or other permitted investments. Therefore, the Board adopted the Investment Policy for Approved Agency Accounts to govern investment activity in accounts approved by the Board other than investments managed or overseen by OST or “excluded entities”. These “excluded entities” include, but are not limited to BOR, the Employees’ Retirement System and the Teachers Retirement System. Only organizations that are approved by the Board to establish and maintain investment accounts may rely on the Investment Policy



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

for Approved Agency Accounts to invest funds. As of June 30, 2016, no State organizations had received Board approval to establish investment accounts governed by the Investment Policy for Approved Agencies.

#### *Board of Regents Investment Policies*

BOR's investments are overseen by the University System Office which serves as the fiscal agent for various units of the University System of Georgia and affiliated organizations. The University System Office pools the monies of these organizations with the University System Offices monies for investment purposes.

The University System Office maintains investment policy guidelines for each pooled investment fund that is offered to qualified University System participants. These policies are intended to foster sound and prudent responsibility each institution has to the citizens of Georgia and which conforms to the BOR investment policy. All investments must be consistent with donor intent, BOR policy, and applicable federal and State laws.

Units of the University System of Georgia and their affiliated organizations may participate in the Investment Fund program. The overall character of each fund portfolio is of above average quality, possessing at most an average degree of investment risk. The Regents' investment funds are described below:

- 1) Short Term Fund – The Short Term Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. The investment maturities of the fund will range between daily and three years. The fund will typically have an average duration of three quarters to one year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk.
- 2) Legal Fund – The Legal Fund provides an opportunity for greater income and modest principal growth to the extent possible with the securities allowed under Georgia Code 50-17-59 and 50-17-63. The average maturities in this fund will typically range between five and ten years, with a maximum of 30 years for any individual investment. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk.
- 3) Balanced Income Fund – The Balanced Income Fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This pool is appropriate for investing longer term funds that require a more conservative investment strategy. This fund is comprised of fixed income, equity and cash equivalent instruments. Investments are limited to domestic U.S. equities and domestic fixed income.

The equity allocation range shall be between 30% and 40%, with a target of 35% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 60% and 70%, with a target of 65% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality (A1, P1) institutional money market mutual funds, or other higher quality short term instruments. Reserves are invested in high quality institutional money market mutual funds or other high quality, short term instruments.

- 4) Total Return Fund – The Total Return Fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers greater overall equity exposure, and is appropriate for investing longer term funds such as endowments. Investments are limited to domestic U.S. equities and fixed income.

The equity allocation range shall be between 60% and 70%, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 30% and 40%, with a





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality (A1, P1) institutional money market mutual funds, or other higher quality short term instruments. Reserves are invested in high quality institutional money market mutual funds or other high quality, short term instruments.

- 5) Diversified Fund – The Diversified Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriated for investing longer term funds such as endowments. Investments may include domestic, international and emerging market equities, domestic fixed income and global fixed income.

The equity allocation range shall be between 50% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 25% and 50%, with a target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality (A1, P1) institutional money market mutual funds, or other higher quality short term instruments. The market value of the Diversified Fund at June 30, 2016 was \$161.7 million.

- 6) Diversified Fund for Foundations – The Diversified Fund for foundations is available only to University System of Georgia affiliated organizations. Like the Diversified Fund, the fund is designed to provide improved return characteristics with reduced volatility through greater diversification and is appropriate for investing longer term funds such as endowments. Investments in the fund may include domestic, international and emerging market equities, domestic and global investment grade and non-investment grade fixed income and alternative investments.

The equity allocation range shall be between 40% and 75% of the portfolio, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 10% and 40% of the portfolio, with a target of 20% of the total portfolio. The alternatives portion of the portfolio shall range between 0% and 30% of the portfolio, with a target of 15% of the total portfolio. Cash reserves and invested income are invested at all times in the highest quality (A1, P1) institutional money market funds, or other high quality short-term instruments. The market value of the Diversified Fund for Foundations at June 30, 2016 was \$44.0 million.

### Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

In accordance with O.C.G.A., Public Retirement Systems may invest in the following:

- 1) U.S. or Canadian corporations or their obligations with limits as to the corporations' size and credit rating.
- 2) Repurchase and reverse repurchase agreements for direct obligations of the U.S. Government and for obligations unconditionally guaranteed by agencies.
- 3) FDIC insured cash assets or deposits.
- 4) Bonds, notes, warrants, loans or other debt issued or guaranteed by the U.S. Government.
- 5) Taxable bonds, notes, warrants or other securities issued and guaranteed by any state, the District of Columbia, Canada or any province in Canada.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

- 6) Bonds, debentures or other securities issued or insured or guaranteed by an agency, authority, unit, or corporate body created by the U.S. Government.
- 7) Investment grade collateralized mortgage obligations.
- 8) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.
- 9) Bonds, debentures, notes and other evidence of indebtedness issued, assumed, or guaranteed by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, which are not in default and are secured to a certain level.
- 10) Secured and unsecured obligations issued by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, bearing interest at a fixed rate, with mandatory principal and interest due at a specified time with additional limits.
- 11) Equipment trust obligations or interests in transportation equipment, wholly or in part within the U.S., and the right to receive determinate portions or related income.
- 12) Loans that are secured by pledge or securities eligible for investment.
- 13) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired.
- 14) Secured mortgages or mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar securities with restrictions.
- 15) Land and buildings on such land used or acquired for use as a fund's office for the convenient transaction of its own business with restrictions.
- 16) Real property and equipment acquired under various circumstances.

In addition, large retirement systems have restrictions as to the concentration of investments in corporations and equities and additional stipulations exist related to decreases in a fund's asset value. The retirement systems have additional restrictions on the acquisition of securities of companies with activities in the Iran petroleum energy sector. A list of scrutinized companies with activities in the Iran petroleum energy sector has been compiled and is annually updated. This list is utilized to identify and potentially divest the retirement systems of such holdings.

In accordance with O.C.G.A., certain eligible large retirement systems (excluding the Teachers Retirement System) are authorized to invest in alternative investments such as privately placed investment pools that include investments such as leveraged buyout funds, mezzanine funds, workout funds, debt funds, venture capital funds, merchant banking funds, funds of funds and secondary funds. In addition, these retirement systems are authorized to invest in private placements and other private investments such as leveraged buyouts, venture capital investment, equity investments such as preferred and common stock, warrants, options, private investments in public securities, recapitalizations, privatizations, mezzanine debt investments, distressed debt and equity investments, convertible securities, receivables, debt and equity derivative instruments, etc. The amount invested by an eligible large retirement system in alternative investments may not in the aggregate exceed five % of the eligible large retirement system's assets at any time.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Component Units

Component units follow applicable investing criteria as specifically authorized by statute or by the component unit's governing authority. Certain higher education foundations utilize FASB standards. Balances for those component units as of June 30, 2016, are as follows (amount in thousands):

	<b>Fair Value</b>
Cash Held by Investment Organization	\$ 3,377
Certificates of Deposit	8,015
Commodity Fund	4,285
Corporate Bonds	227,397
Diversifying Strategies	125,349
Equity Securities	1,086,945
Fixed Income	61,703
Government and Agency Securities	61,129
Hedge Funds	569,704
Investment Pools	24
Joint Ventures/Partnerships	3,131
Money Market Accounts	112,523
Mortgage Backed Securities	23,578
Mutual Funds	419,046
Natural Resources	89,546
Real Estate	156,008
Split-interest Investments	1,853
Venture Capital	64,104
<b>Total Investments</b>	<b><u><u>\$ 3,017,717</u></u></b>

The component unit disclosures that follow do not include these balances.

#### **Interest Rate Risk**

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

#### **Primary Government**

OST's policy for management of interest rate risk attempts to match investments with expected cash requirements. However, certificates of deposit may not have a term exceeding five years. The State Treasurer may establish duration or maturity limitations for other investments.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

BOR's policy for managing interest rate risk is contained in the investment policy guidelines for the various pooled funds:

- 1) In the Short Term fund, the average maturity of the fixed income portfolio shall not exceed three years. In all other pooled funds, the average maturity of the fixed income portfolio shall not exceed 10 years.
- 2) Fixed income investments, except in the Diversified fund, shall be limited to U.S. Government agency and corporate debt instruments that meet investment eligibility under O.C.G.A. Section 50-17-63.
- 3) The fixed income target allocation is defined in the investment policy guidelines for each pooled investment fund. These targets may be modified upon recommendation of the fund's investment manager and approval by the BOR.

The following table provides information about the primary government's exposure to interest rate risk. It includes balances reported in fiduciary funds other than Pension and Other Employee Benefit Trust Funds as these balances are not separable from the holdings of the primary government (amount in thousands):

	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	\$ 11,668	\$ 566	\$ 3,295	\$ 7,807	\$ -	\$ -
Corporate Debt						
Domestic	25,996	285	2,181	23,262	235	33
International Government						
Obligations	134,597	-	61,677	72,920	-	-
Money Market Mutual Funds	39,856	39,274	582	-	-	-
Mortgage-Backed Securities						
Commercial	7,666	1,506	5,571	589	-	-
Municipal Bonds	1,123	5	1	413	207	497
Mutual Funds - Debt*	73,331	4,077	-	14,699	41,079	13,476
Repurchase Agreements	2,512,332	1,872,332	640,000	-	-	-
U.S. Agency Obligations	2,541,035	269,793	676,031	1,558,958	35,833	420
U.S. Treasury Obligations	124,112	30,226	65,770	26,254	1,862	-
<b>Total Debt Securities</b>	<b>5,471,716</b>	<b>\$ 2,218,064</b>	<b>\$ 1,455,108</b>	<b>\$ 1,704,902</b>	<b>\$ 79,216</b>	<b>\$ 14,426</b>
Equity Securities - Domestic	140,329					
Equity Securities - International	2,384					
Funds on Deposit with U.S.						
Treasury for Unemployment						
Compensation	1,305,063					
Mutual Funds - Equity	94,806					
Real Estate Investment Trust	16,795					
<b>Total Investments</b>	<b>\$ 7,031,093</b>					

\* Maturity Period is weighted average maturity.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Fiduciary Funds – Pension and Other Employee Benefit Trust Funds Administered by the Employees’ and Teachers Retirement Systems

The Boards of the Employees’ and Teachers Retirement systems have elected to manage interest rate risk of these pension and other employee benefit trust funds using the effective duration method. This method is widely used in the management of fixed income portfolios and quantifies to a much greater degree the sensitivity to interest rate changes when analyzing a bond portfolio with call options, prepayment provisions, and any other cash flows. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows and is best utilized to gauge the effect of a change in interest rates on the fair value of a portfolio. It is believed that the reporting of effective duration found in the table below quantifies to the fullest extent possible the interest rate risk of the funds’ fixed income assets (amount in thousands):

	<b>Total Fair Value</b>	<b>Effective Duration (Years)</b>
Corporate and Other Bonds	\$ 11,485,966	3.5
International Obligations:		
Government	401,384	1.3
Corporate	907,878	1.5
U.S. Treasury Obligations	11,916,434	6.1
Total Debt Securities	24,711,662	
Common Stock		
Domestic	41,203,745	
International	12,453,231	
Mutual Funds - Equity	1,226,068	
Private Equity	93,885	
<b>Total Investments</b>	<b>\$ 79,688,591</b>	



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Fiduciary Funds – Pension and Other Employee Benefit Trust Funds Administered by Other than the Employees’ and Teachers Retirement Systems

The Public Retirement System Investment Authority Law does not address specific policies for managing interest rate risk. The following table provides information about interest rate risks associated with these pension and other employee benefit trust funds’ investments (amount in thousands):

	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-backed Securities	\$ 24,294	\$ -	\$ -	\$ 6,576	\$ 9,834	\$ 7,884
Corporate Debt						
Domestic	135,268	704	6,576	46,894	40,397	40,697
International	9,535	110	-	4,712	3,766	947
International Government Obligations	922	-	-	-	574	348
Money Market Mutual Funds	52,470	11,136	-	-	-	41,334
Mortgage-backed Securities						
Commercial	99,362	-	-	666	2,425	96,271
Municipal Bonds	3,002	-	123	475	-	2,404
Mutual Funds - Debt*	20,277	-	1,211	4,815	12,176	2,075
U.S. Agency Obligations	77,156	-	1	437	1,744	74,974
U.S. Treasury Obligations	48,921	-	1,150	22,223	14,358	11,190
<b>Total Debt Securities</b>	<b>471,207</b>	<b>\$ 11,950</b>	<b>\$ 9,061</b>	<b>\$ 86,798</b>	<b>\$ 85,274</b>	<b>\$278,124</b>
Equity Securities						
Domestic	506,624					
International	33,417					
Mutual Funds - Equity	758,020					
Real Estate Investment Trust	50,444					
Short-term Investment	31,063					
U.S. Agency Obligations	10,361					
<b>Total Investments</b>	<b>\$ 1,861,136</b>					

\*Maturity period is weighted average maturity.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Component Units

The component units follow the applicable investing criteria specifically authorized by statute or by the component unit's governing authority.

The component units' exposure to interest rate risk is presented below (amount in thousands):

	Total Fair Value	Maturity Period				More than 10 Years
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	
Asset-Backed Securities	\$ 15,401	\$ -	\$ -	\$ 2,310	\$ 3,359	\$ 9,732
Corporate Debt						
Domestic	69,348	2,183	7,564	48,856	9,523	1,222
International	3,227	-	245	2,497	308	177
International Government						
Obligations	261	-	77	184	-	-
Investment Agreements	23,588	-	-	2,808	2,810	17,970
Money Market Mutual Funds	16,018	15,011	1,004	-	-	3
Mortgage-Backed Securities						
Commercial	127,405	-	688	12,152	5,414	109,151
Municipal Bonds	18,818	-	866	16,161	1,618	173
Mutual Funds - Debt*	11,682	-	-	11,608	-	74
Non-purpose investments	41,935	-	41,935	-	-	-
Repurchase Agreements	23,351	17,586	-	-	-	5,765
U.S. Agency Obligations	93,696	-	1,833	77,965	7,255	6,643
U.S. Treasury Obligations	243,215	6,129	15,833	108,889	70,715	41,649
<b>Total Debt Securities</b>	<b>687,945</b>	<b>\$ 40,909</b>	<b>\$ 70,045</b>	<b>\$ 283,430</b>	<b>\$ 101,002</b>	<b>\$ 192,559</b>
Equity Securities						
Domestic	30,601					
International	8,681					
Joint Venture	5,945					
Managed Futures/Hedge Funds	7,258					
Mutual Funds - Equity	14,511					
Real Estate	368					
<b>Total Investments</b>	<b>\$ 755,309</b>					

\* Maturity Period is weighted average maturity.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The credit risk tables presented on the following pages have been prepared using Standard and Poor's Corporation ratings scales.

#### Primary Government

OST utilizes a counterparty risk assessment model to assess credit risk of financial institutions that have been approved to serve as counterparties and major depositories. OST has assigned credit limits to each financial institution based upon its counterparty risk assessment model which incorporates market indicators, default probabilities, issuer research and issuer ratings to determine maximum credit exposure per institution, term of investment for respective counterparties and collateralization requirements in accordance with the OST Investment Policy.

The University System of Georgia's policy for managing credit risk is contained in the investment policy guidelines for the various pooled investment funds:

- 1) In all pooled funds except the Diversified fund, all debt issues must be eligible investments under O.C.G.A. Section 50-17-63. Portfolios of debt security funds also must meet the eligible investment criteria under the same code section.
- 2) The Diversified fund is permitted to invest in non-investment grade debt issues up to a limit of 15% of the entire portfolio.

The exposure of the primary government's debt securities to credit risk is indicated below (amount in thousands):

	Total Fair Value	AAA	AA	A	BBB	BB	B	Not Rated
Asset-Backed Securities	\$ 11,668	\$ 11,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Debt								
Domestic	25,996	1,275	5,505	13,459	5,480	-	-	277
International Government								
Obligations	134,597	59,553	65,071	9,973	-	-	-	-
Money Market Mutual Funds	39,856	6,189	28,544	-	-	-	-	5,123
Mortgage-Backed Securities								
Commercial	7,666	4,328	3,010	328	-	-	-	-
Municipal Bonds	1,123	396	309	391	26	-	-	1
Mutual Funds - Debt	73,331	253	-	-	-	-	15	73,063
Repurchase Agreements	2,343,335	14,702	780,700	453,164	1,022,760	62,756	-	9,253
U. S. Agency Obligations	2,341,777	47,029	1,783,497	-	-	-	-	511,251
<b>Total Credit Risk - Investments</b>	<b>4,979,349</b>	<b>\$ 145,393</b>	<b>\$ 2,666,636</b>	<b>\$ 477,315</b>	<b>\$ 1,028,266</b>	<b>\$ 62,756</b>	<b>\$ 15</b>	<b>\$ 598,968</b>
U.S. Treasury Obligations	124,112							
U.S. Agency Obligations Explicitly Guaranteed	199,258							
Repurchase Agreements Backed by: U. S. Agency Obligations Explicitly Guaranteed	168,997							
<b>Total Debt Securities</b>	<b>\$ 5,471,716</b>							





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

The credit risk of pension and other employee benefit trust funds is managed by restricting investments to those authorized by the Public Retirement System Investment Authority Law as previously described. The Boards of individual funds may elect to implement more restrictive policies. The pension and other employee benefit trust funds' debt securities exposure to credit risk is indicated below (amount in thousands):

	Total Fair Value	Asset-backed Securities Domestic	Corporate Debt		International Government Obligations	Money Market Mutual Funds	Mortgage- backed Securities	Municipal Bonds	Mutual Funds - Debt	U.S. Agency Obligations
			Domestic	Inter- national						
AAA	\$ 986,618	\$ 16,491	\$ 949,974	\$ -	\$ -	\$ 26	\$ 3,802	\$ -	\$ -	\$ 16,325
AA	2,769,298	760	2,362,591	97	399,248	1,419	2,660	2,315	-	208
A	8,723,768	827	7,807,069	2,150	910,562	-	2,776	384	-	-
BBB	455,903	259	445,661	4,424	348	-	5,035	176	-	-
BB	2,786	-	840	99	-	-	1,847	-	-	-
B	591	-	-	-	-	-	591	-	-	-
CCC	2,510	-	-	-	-	-	2,510	-	-	-
CC	434	-	-	-	-	-	434	-	-	-
C	614	-	-	-	-	-	614	-	-	-
D	340	-	-	-	-	-	340	-	-	-
Unrated	237,607	9,543	51,516	2,766	25	51,025	78,754	127	20,277	23,574
<b>Total Credit Risk - Investments</b>	<b>13,180,469</b>	<b>\$ 27,880</b>	<b>\$ 11,617,651</b>	<b>\$ 9,536</b>	<b>\$ 1,310,183</b>	<b>\$ 52,470</b>	<b>\$ 99,363</b>	<b>\$ 3,002</b>	<b>\$ 20,277</b>	<b>\$ 40,107</b>
U.S. Treasury Obligations	11,965,355									
U. S. Agency Obligations Explicitly Guaranteed	37,049									
<b>Total Debt Securities</b>	<b>\$25,182,873</b>									



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Component Units

The component units follow the applicable investing criteria specifically authorized by statute or by the component unit's governing authority. The exposure of the component units' debt securities to credit risk is indicated below (amount in thousands):

	Total Fair Value	AAA	AA	A	BBB	BB	CCC	Not Rated
Asset-Backed Securities	\$ 15,401	\$ 10,248	\$ 1,676	\$ 2,151	\$ 810	\$ 165	\$ 313	\$ 38
Corporate Debt								
Domestic	69,348	6,260	7,302	29,465	26,217	88	-	16
International	3,227	1,340	-	1,105	563	219	-	-
International Government								
Obligations	261	-	261	-	-	-	-	-
Investment Agreements	23,588	15,240	8,348	-	-	-	-	-
Money Market Mutual Funds	16,018	-	-	-	-	-	-	16,018
Mortgage-Backed Securities								
Commercial	127,405	25,048	100,519	1,838	-	-	-	-
Municipal Bonds	18,818	1,597	8,159	9,062	-	-	-	-
Mutual Funds - Debt	11,682	-	-	-	-	-	-	11,682
Non-purpose investments	41,935	-	-	-	-	-	-	41,935
Repurchase Agreements	23,351	5,765	-	-	-	-	-	17,586
U. S. Agency Obligations	89,906	6,966	82,940	-	-	-	-	-
<b>Total Credit Risk - Investments</b>	<b>440,940</b>	<b>\$ 72,464</b>	<b>\$ 209,205</b>	<b>\$ 43,621</b>	<b>\$ 27,590</b>	<b>\$ 472</b>	<b>\$ 313</b>	<b>\$ 87,275</b>
U.S. Treasury Obligations	243,215							
U.S. Agency Obligations Explicitly Guaranteed	3,790							
<b>Total Debt Securities</b>	<b>\$ 687,945</b>							

#### Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the value of the investment or collateral securities in possession of a third party custodian may not be fully recovered by the State.

#### Primary Government

OST's policy for managing custodial credit risk for investments is:

- 1) OST has appointed a federally regulated banking institution, State Street, as its custodian. State Street performs its duties to the standards of a professional custodian.
- 2) All securities transactions are settled on a delivery versus payment basis through an approved depository institution such as the Federal Reserve or the Depository Trust Company.
- 3) Repurchase agreements are collateralized by obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government or other securities authorized by the Treasurer in subsection (b) of Code Section 50-17-63 in accordance with the State Depository Board policy.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

- 4) OST has retained an independent firm to serve as its liquidation agent in the event of a counterparty default.

The University System of Georgia's policy for managing custodial credit risk for investment is:

- 1) The University System has appointed a federally regulated banking institution as custodian. The custodian performs its duties to the standards of a professional custodian and is liable to the University System of Georgia for claims, losses, liabilities and expenses arising from its failure to exercise ordinary care, its willful misconduct, or its failure to otherwise act in accordance with the contract.
- 2) All securities transactions are to be settled on a delivery vs. payment basis through an approved depository institution such as the Depository Trust Company or the Federal Reserve.
- 3) Repurchase agreements are to be collateralized by United States Treasury securities at 102% of the market value of the investment at all times.

### **Fiduciary Funds – Pension and Other Employee Benefit Trust Funds**

The custodial credit risk of pension and other employee benefit trust funds is managed by restricting investments to those authorized by the Public Retirement System Investment Authority Law described above. At June 30, 2016, \$21.3 million of the pension and other employee benefit trust funds' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

### **Component Units**

The component units follow the applicable investing criteria specifically authorized by statute or by the component unit's governing authority.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer.

### **Primary Government**

To manage concentration risk, the OST Investment Policy requires diversification of investments to reduce overall portfolio risks while maintaining market rates of return. Investments in each portfolio shall be diversified to mitigate risk of loss from an over-concentration in a specific issuer, counterparty or depository. The State Treasurer establishes Investment Guidelines for each investment portfolio to assure that prudent diversification and adequate liquidity is maintained. OST utilizes a counterparty risk assessment model to determine maximum exposure to each approved financial institution.

The University System's policy for managing concentration of credit risk is to diversify investments to the extent that any single issuer shall be limited to 5% of the market value in a particular investment fund.

At June 30, 2016, approximately 25.9%, 12.7%, 11.7%, 10.8%, and 6% of the BOR's BTA investments were investments in Local Government Investment Pool (Ga Fund 1), Federal National Mortgage Association notes,



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Federal National Mortgage Association Pool, Federal Home Loan Bank notes, and Government National Mortgage Association notes, respectively.

At June 30, 2016, approximately 36.63%, 9.06%, 8.89%, and 5.49% of the BOR's Fiduciary Fund investments were investments in Vanguard Institutional Index FD, IShares Core Total U.S. Aggregate Bond ETF, IShares Russell 1000 Growth ETF and IShares Russell 1000 Value ETF, respectively.

At June 30, 2016, approximately 66.5% of the primary government's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government and Repurchase Agreements that were collateralized with investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government.

#### **Fiduciary Funds – Pension and Other Employee Benefit Trust Funds**

The concentration of credit risk policy of pension and other employee benefit trust funds limits investments to no more than 5% of total net assets in any one corporation. At June 30, 2016, no more than 5% of the pension and other employee benefit trust fund's total investments were investments in any single issuer other than the U.S. Government or its agencies.

#### **Component Units**

The component units follow the applicable investing criteria specifically authorized by statute or by the component unit's governing authority. At June 30, 2016, 11.9% of the component units' total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government.

#### **C. Fair Value Measurements**

In accordance with GASB Statement No. 72 (GASB 72), some investments are measured using inputs divided into three fair value hierarchies:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for an asset or liability.

Fixed-income securities use price evaluations; other investments are exempt from GASB 72's disclosure requirement because they are not reported at fair value, but instead valued using cost based measures.

In general, investments were valued using the following techniques:

- Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity securities classified in Level 3 are valued using third party valuations not currently observable in the market.
- Debt securities classified in Level 1 are valued using prices quoted in active market. Debt securities classified in level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

used to value securities based on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information that readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

- Mutual funds and commingled funds classified in Level 1 are valued using prices quoted in active markets for those investments types. Commingled funds classified in Level 2 are valued using observable underlying inputs that are market corroborated.

### Primary Government and Fiduciary Funds

The following table provides information about the primary government's investments in regards to GASB 72. It includes balances reported in fiduciary funds other than Pension and Other Employee Benefit Trust Funds as these balances are not separable from the holdings of the primary government (amount in thousands):

Investments by fair value levels	Total	Level 1	Level 2	Level 3
Asset-backed Securities	\$ 28,209	\$ -	\$ 28,209	\$ -
Bond Securities	488,511	83,648	404,863	-
Corporate Debt	12,546,261	10,152	12,536,109	-
Equity Securities	54,294,538	54,184,488	86,346	23,704
Fixed Rate Bonds	1,843,174	-	1,843,174	-
Floating Rate Note	75,076	-	75,076	-
Foreign Government Obligations	922	-	922	-
Money Market Mutual Funds	108,627	38,415	70,212	-
Mutual Funds	417,384	176,628	240,756	-
Mortgage Backed Securities	109,640	-	109,640	-
Real Estate Investments	66,797	60,607	-	6,190
U.S. Agencies	830,736	50,189	780,547	-
U.S. Treasuries	12,085,053	11,992,576	92,477	-
Commingled funds	1,220,984	68,015	1,152,969	-
	<b>84,115,912</b>	<b>\$ 66,664,718</b>	<b>\$ 17,421,300</b>	<b>\$ 29,894</b>
Reconciling Items:				
Funds on Deposit with U.S. Treasury	1,305,063			
Investments Measured at Net Asset Value	363,924			
Department of Revenue Unclaimed Properties	79,909			
Repurchase Agreements	2,512,332			
Agencies reporting on one year lag prior to implementing GASB 72	206,698			
	<b>\$ 88,583,838</b>			



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### Component Units

The following table provides information about the component units' investments in regards to GASB 72 (amount in thousands):

Investments by fair value levels	Total	Level 1	Level 2	Level 3
Asset-backed Securities	\$ 15,328	\$ 15,328	\$ -	\$ -
Bond Securities	166,358	96,882	69,476	-
Corporate Debt	72,589	30,396	42,193	-
Equity Securities	640,400	538,591	-	101,809
Fixed Rate Bonds	97,514	35,572	51,121	10,821
Foreign Government Obligations	3,227	3,227	-	-
Money Market Mutual Funds	65,034	65,034	-	-
Mutual Funds	302,832	296,551	6,281	-
Mortgage Backed Securities	130,110	100,817	29,293	-
Natural Resources	6,100	-	-	6,100
Non Purpose Investments	41,935	-	41,935	-
Real Estate Investments	49,811	104	7,195	42,512
Repurchase Agreement	23,351	23,351	-	-
U.S. Agencies	123,135	96,199	26,936	-
U.S. Treasuries	271,889	11,751	260,138	-
Commingled funds	114,436	114,436	-	-
Other	408,118	363,753	11,523	32,842
	<b>2,532,167</b>	<b>\$ 1,791,992</b>	<b>\$ 546,091</b>	<b>\$ 194,084</b>
Reconciling Items:				
Investments at Net Asset Value	1,216,472			
BOR Investment Pool	24,386			
	<b>\$ 3,773,025</b>			

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

#### **Fiduciary Funds – Pension and Other Employee Benefit Trust Funds**

The State's currency risk exposures, or exchange rate risks, primarily reside within the retirement system's international equity investment holdings. The retirement system's foreign exchange risk management policy is to minimize risk and protect the investments from negative impact by hedging foreign currency exposures with foreign exchange instruments when market conditions and circumstances are deemed appropriate.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2016, the State's exposure to foreign currency risk in U.S. Dollars are highlighted in the tables below (amounts in thousands):

#### International Investment Securities at Fair Value as of June 30, 2016

Currency	Employees' Retirement System of Georgia			Teachers Retirement System of Georgia		
	Equities	Fixed Income	Total	Equities	Fixed Income	Total
Australian Dollar	\$ 28,347	\$ -	\$ 28,347	\$ 121,650	\$ -	\$ 121,650
Brazilian Real	15,743	-	15,743	67,566	-	67,566
British Pound	64,127	-	64,127	274,708	-	274,708
Canadian Dollar	5,972	-	5,972	26,371	-	26,371
Czech Krone	426	-	426	1,870	-	1,870
Danish Krone	10,195	-	10,195	43,640	-	43,640
Euro	67,861	-	67,861	297,223	-	297,223
Hong Kong Dollar	36,711	-	36,711	159,852	-	159,852
Indonesian Rupiah	5,613	-	5,613	24,468	-	24,468
Japanese Yen	105,427	-	105,427	455,472	-	455,472
Malaysian Ringgit	9,314	-	9,314	40,861	-	40,861
Mexican Peso	8,996	-	8,996	39,274	-	39,274
New Taiwan Dollar	35,071	-	35,071	154,189	-	154,189
Philippine Peso	5,440	-	5,440	23,614	-	23,614
Polish Zloty	2,380	-	2,380	10,523	-	10,523
Singapore Dollar	14,769	-	14,769	62,663	-	62,663
South African Rand	29,446	-	29,446	127,973	-	127,973
South Korean Won	54,260	-	54,260	238,620	-	238,620
Swedish Krona	29,347	-	29,347	126,123	-	126,123
Swiss Franc	14,785	-	14,785	63,922	-	63,922
Thailand Baht	16,260	-	16,260	70,079	-	70,079
Total Holdings subject to Foreign Currency Risk	560,490	-	560,490	2,430,661	-	2,430,661
Investment Securities payable in U.S. Dollars	1,770,528	251,779	2,022,307	7,690,334	1,057,484	8,747,818
Total International Investment Securities - at Fair Value	\$ 2,331,018	\$ 251,779	\$ 2,582,797	\$ 10,120,995	\$ 1,057,484	\$ 11,178,479

Currency	Firefighters' Pension Fund			Peace Officers' Annuity and Benefit Fund		
	Equities	Fixed Income	Total	Equities	Fixed Income	Total
British Pound	\$ -	\$ -	\$ -	\$ 16,122	\$ -	\$ 16,122
Canadian Dollar	2,714	-	2,714	-	-	-
Total Holdings subject to Foreign Currency Risk	2,714	-	2,714	16,122	-	16,122
Investment Securities payable in U.S. Dollars	11,858	3,858	15,716	21,595	-	21,595
Total International Investment Securities - at Fair Value	\$ 14,572	\$ 3,858	\$ 18,430	\$ 37,717	\$ -	\$ 37,717



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

#### *D. External Investment Pools*

The state operates two local government investment pools managed by OST and is comprised of Georgia Fund 1, its primary liquidity portfolio, and the Georgia Extended Asset Pool. Both pools invest State funds and funds of other governmental entities in the State. The two local government investment pools jointly maintain a reserve consisting of members' administrative fees. This reserve can be used to stabilize either or both investment pools and to fund the administrative expenses for managing the pools. Separate reports on the State's investment pools are issued. Refer to the OST website [ost.georgia.gov](http://ost.georgia.gov) for additional information on the Georgia Fund 1 and the Georgia Extended Asset Pool.

#### *E. Securities Lending Program*

The State is presently involved in securities lending programs with major brokerage firms. The State lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. During a loan, the State continues to receive dividends and interest as the owner of the loaned securities.

#### **Fiduciary Funds – Pension and Other Employee Benefit Trust Funds**

In the pension and other employee benefit trust funds' securities lending agreements, the brokerage firms pledge collateral securities consisting of U.S. Government and agency securities, mortgage-backed securities issued by a U.S. Government agency, and U.S. corporate bonds. The collateral value must be equal to at least 102% to 109% of the loaned securities value, depending on the type of collateral security.

Securities loaned totaled \$17.4 billion at June 30, 2016, and the collateral value was equal to 105.4%. The loaned securities are in the accompanying note disclosures based on the custodial arrangements for the collateral securities. Loaned securities are included in the accompanying Statement of Net Position because the State maintains ownership. The related collateral securities are not recorded as assets on the Statement of Fiduciary Net Position, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral securities. In accordance with the criteria set forth in GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, the State is deemed not to have the ability to pledge or sell collateral securities, since the State's lending contracts do not address whether the lender can pledge or sell the collateral securities without a borrower default. The State has not previously demonstrated that ability, and there are no indications of the State's ability to pledge or sell collateral securities.

#### *F. Other Investments*

The State's Unemployment Compensation Fund monies are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

The Commissioner of the Department of Agriculture is directed by statute to require dealers in certain agricultural products and livestock to make and deliver to the Department a surety or cash bond to secure the faithful accounting for and payment to producers of the proceeds of agricultural products or livestock handled or sold by the dealer. Cash bonds are required to designate the Department as trustee of the funds and may take the form of certificates of deposit, letters of credit, money orders or cashiers' checks. At June 30, 2016, the Department held surety bonds in the amount of \$50.4 million, and cash bonds in the amount of \$17.9 million. These bonds are not recorded on the Balance Sheet.





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Securities are held by the Commissioner of Insurance pursuant to statutes that require licensed insurance companies to deposit securities prior to issuance of a certificate of authority to transact insurance. These securities remain in the name of the licensed insurance company as long as the company has a pending claim in the State or until a proper order of a court of competent jurisdiction has been issued to the receiver, conservator, rehabilitator, or liquidator of the insurer or to any other properly designated official or officials who succeed to the management and control of the insurer's assets. The purchase and redemption of such securities are allowed as long as the required levels of deposits are maintained. At June 30, 2016, securities valued at \$202.8 million were held by the Department of Insurance. These securities are not recorded on the Balance Sheet.

Statutes require that surety bonds be provided for State public works contracts. The Department of Transportation holds surety bonds in the amount of \$2.6 billion for construction performance to ensure proper completion and complete performance of construction contracts, and \$2.8 billion for construction payment to ensure that payments are made by the general contractor to all subcontractors. These bonds are not recorded on the Balance Sheet.

The Georgia State Financing and Investment Commission (GSFIC) State Construction Manual policies require that surety bonds be provided for payment and performance of all State projects of \$0.1 million or more. The Department of Corrections holds surety bonds in the amount of \$21.4 million for construction performance to ensure proper completion and complete performance of construction contracts. These bonds are not recorded on the Balance Sheet.

For any organization that elects to assume the liability for unemployment compensation payments in lieu of making contributions to the Unemployment Compensation Fund, the Commissioner of the Department of Labor is authorized by statute to require such organization to execute and file with the Commissioner a cash deposit or surety bond. Cash deposits are held on behalf of such organizations in the Department's name, and are reported as agency funds. At June 30, 2016, the Department held surety bonds in the amount of \$63.0 million. These bonds are not recorded on the Statement of Net Position.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 6 – DERIVATIVE INSTRUMENTS**

Derivative Instruments are utilized by some of the higher education foundations (reported as both higher education fund and as component units) and consist primarily of interest rate swap agreements. Certain foundations (component units) have elected to apply FASB provisions and therefore the disclosure information for these foundations is presented separately. Details of the long term liabilities associated with the interest rate swap derivatives are within *Note 10 – Long-Term Liabilities*.

**A. Primary Government**

The fair value balance and notional amount of the interest rate swap hedging derivative investment outstanding as reported in the fiscal year 2016 financial statements are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 06/30/2016		
	Classification	Amount	Classification	Amount	Notional
<b>Proprietary funds' activities</b>					
Cash flow hedges:					
VSU Auxiliary Services Real Estate Foundation, Inc.					
2008B - Interest Rate Swap	Deferred outflow of resources	\$ (162)	Debt	\$ (6,951)	\$ 28,075

The fair value of the interest rate swap liability disclosed above is consistent with the Level 2 Fair Value Hierarchy defined in GASB Statement No. 72, Fair Value Measurement and Application (GASB 72). This Level 2 derivative position was primarily valued using standard calculations/models that use as their basis readily observable market parameters (interest rates).

The fair value balance and notional amount of the interest rate swap hedging derivative investment outstanding as reported in the fiscal year 2015 financial statements are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 06/30/2015		
	Classification	Amount	Classification	Amount	Notional
<b>Proprietary funds' activities</b>					
Cash flow hedges:					
VSU Auxiliary Services Real Estate Foundation, Inc.					
2008B - Interest Rate Swap	Deferred outflow of resources	\$ 3,020	Debt	\$ (6,789)	\$ 28,280

**VSU Auxiliary Services Real Estate Foundation, Inc. (VSU Foundation)**

The VSU Foundation has an outstanding interest rate swap agreement effectively changing the interest rate exposure on the \$28.0 million bond payable from variable to a 4.05% fixed rate over the term of the bond payable. As of December 31, 2015, the total notional amount of the swap was \$28.1 million. As of December 31, 2015, the fair value of this interest rate swap was a liability of \$7.0 million. The VSU Foundation recorded a loss on the swap of \$0.2 million for the year ended December 31, 2015.

Revenue bonds in the amount of \$28.7 million (Series 2008B Bonds), were issued June 19, 2008 by the South Regional Joint Development Authority (the Authority), a public body corporate and politic created pursuant to the constitution and laws of the State of Georgia, including Development Authorities Law, as amended, and were loaned to Georgia & Reade LLC, (a limited liability corporation owned solely by the VSU Foundation) (Company) to finance the construction of the Georgia Hall Project and the Reade Hall Project. The bonds were issued pursuant to the Development Authorities Law of the State of Georgia and in accordance with the provisions of a Trust Indenture dated June 1, 2008 between the Authority and Wells Fargo Bank, National Association, as the trustee (the Trustee). The Series 2008B Bonds were issued in the form of fully registered bonds in the denominations of



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 6 – DERIVATIVE INSTRUMENTS (continued)**

\$100,000 and any integral multiple of \$5,000 in excess thereof. Interest rates are variable and the bonds mature in 2039. Payment of the principal of and interest on the Series 2008B Bonds will be principally secured by an irrevocable, direct-pay letter of credit issued by Wells Fargo Bank, National Association (the Bank, previously Wachovia Bank, National Association) on the date of issuance of the bonds pursuant to the terms of the Reimbursement Agreement. The original letter of credit dated June 19, 2008 was extended to December 14, 2010. Additional security for the Series 2008B Bonds each consists of; 1) the trust estate (from which the bonds are payable); 2) the Debt Service Reserve Fund; 3) the loan agreement; 4) the project estate and personal property as set forth in the security deed, agreements and documents relating to the construction and management of the project; and 5) any and all rents and leases for use of the project property.

**Interest Rate Swap**

Rents to be received under the rental agreement are in fixed amounts and the interest rate on the Series 2008B Bonds, unless converted to a Fixed Rate, are variable, based on weekly market rate. The variable rate on the bonds may cause debt service on the bonds and other amounts payable from such rents to exceed the amounts scheduled to be received and available for such purpose. Accordingly, in connection with the issuance of the bonds, the Company entered into an interest rate swap (the Rate Swap) with Wachovia Bank, National Association (the Rate Swap Provider) under a Hedge Agreement in order to hedge against changes in the Company's interest expense associated with the bonds. The Rate Swap Provider subsequently became Wells Fargo Bank, N.A. Under the Rate Swap, the Company agreed to make monthly payments based upon a fixed rate of interest of 4.05% per annum to Wachovia Bank, and Wachovia Bank agreed to make monthly floating rate payments to the Company at the USD-SIFMA Municipal Swap Index per annum, in each case times a notional amount equal to the aggregate principal amount of the bonds scheduled to remain outstanding in each period, taking into account planned redemptions.

The payments made by the Rate Swap Provider based on the USD-SIFMA Municipal Swap Index may not match perfectly the interest accruing on the bonds, but the Company estimates that additional rentals paid or accumulated from the Rental Agreement will be sufficient to cover such differences. The Rate Swap terminates on the date of maturity of the Series 2008B Bonds.

**B. Component Units**

**Component Units – GASB Organizations**

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2016 financial statements for higher education foundations reported as component units reporting under GASB provisions are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 6/30/2016		
	Classification	Amount	Classification	Amount	Notional
<b>Component unit activities - GASB</b>					
Cash flow hedges:					
University of Georgia Athletic Association, Inc.					
2003 - Interest Rate Swap	Deferred outflow of resources	\$ (646)	Debt	\$ (2,810)	\$ 13,325
2005A - Interest Rate Swap	Deferred outflow of resources	123	Debt	(830)	7,150
2005B - Interest Rate Swap	Deferred outflow of resources	(1,453)	Debt	(5,830)	23,235
				<u>\$ (9,470)</u>	

The fair value of the interest rate swap liabilities disclosed above are consistent with the Level 2 Fair Value Hierarchy defined in GASB 72. These Level 2 derivative positions were primarily valued using standard calculations/models that use as their basis readily observable market parameters (interest rates).



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2015, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2015 financial statements for higher education foundations reported as component units under GASB are as follows (amount in thousands):

Component unit activities - GASB	Change in Fair Value		Fair Value at 6/30/2015		
	Classification	Amount	Classification	Amount	Notional
Cash flow hedges:					
University of Georgia Athletic Association, Inc.					
2003 - Interest Rate Swap	Deferred outflow of resources	\$ (70)	Debt	\$ (2,164)	\$ 13,967
2005A - Interest Rate Swap	Deferred outflow of resources	255	Debt	(953)	8,250
2005B - Interest Rate Swap	Deferred outflow of resources	(262)	Debt	(4,377)	24,030
				<u>\$ (7,494)</u>	

### Interest Rate Swap Derivatives

#### *University of Georgia Athletic Association, Inc. (UGAA)*

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2016 financial statements are documented above. For derivative transactions, unless otherwise specified, Bank of America Merrill Lynch (BOAML) furnishes a single value for each transaction, even if comprised of multiple legs. Unless otherwise specified, valuations for derivative instruments represent, or are derived from, mid-market values. For some derivative instruments, mid-market prices and inputs may not be observable. Instead, valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require BOAML to make subjective assumptions and judgments in light of their experience. For example, in valuing over-the-counter (OTC) equity options where there is no listed option with a corresponding expiration date, BOAML must estimate the future share price volatility based on realized volatility of the underlying shares over periods deemed relevant, implied volatilities of the longest dated listed options available on the underlying shares or major indices and other relevant factors. Valuations of securities with embedded derivatives may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including the embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors. While BOAML believes that the methodology and data they use to value derivatives and securities with embedded derivatives are reasonable and appropriate, other dealers might use different methodology or data and may arrive at different valuations.

**Objective and Terms** – As a means of interest rate management, UGAA entered into three separate interest rate swap transactions with Bank of America, N.A. (the Counterparty) relating to its variable rate tax-exempt Series 2003 Bonds, taxable Series 2005A Bonds, and tax-exempt Series 2005B Bonds. Pursuant to an International Swap Dealers Association (ISDA) Master Agreement and Schedule to ISDA Master Agreement, each dated as of January 27, 2005, between UGAA and the Counterparty and three Confirmations, UGAA has agreed to pay to the Counterparty a fixed rate of interest in an amount equal to: (1) 3.38% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (2) 5.05% per annum multiplied by a notional amount that is equal to the principal amount of the Series 2005 Bonds until July 2021; and (3) 3.48% per annum multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until August 2033. In return, the Counterparty has agreed to pay to UGAA a floating rate of interest in an amount equal to: (1) 67% of LIBOR multiplied by a notional amount that is equal to the principal amount of the Series 2003 Bonds until August 2033; (2) LIBOR multiplied by a notional amount that is equal to the principal amount of the



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

Series 2005 Bonds until July 2021; and (3) 67% of LIBOR multiplied by the notional amount that is equal to the principal amount of the Series 2005B Bonds until July 2035.

Fair Value – UGAA will be exposed to variable rates if the Counterparty to a swap defaults or if a swap is terminated. A termination of the swap agreement may also result in UGAA's making or receiving a termination payment.

As of June 30, 2016, the fair value of the interest rate swap agreements was \$(9.5 million), indicating the amount that UGAA would be required to pay to the Counterparties to terminate the swap agreements.

As of June 30, 2016, the fair value of the interest rate swap agreement on the 2003 Series Bonds was \$(2.8 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2016, the fair value of the interest rate swap agreement on the 2005A Series Bonds was \$(.8 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2016, the fair value of the interest rate swap agreement on the 2005B Series Bonds was \$(5.8 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

Swap Payments and Associated Debt – As of June 30, 2016, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (amount in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
<b>Year ending:</b>				
2017	\$ 2,595.0	\$ 162.2	\$ 1,350.5	\$ 4,107.7
2018	2,660.0	151.4	1,251.3	4,062.7
2019	2,730.0	140.4	1,149.5	4,019.9
2020	2,795.0	129.2	1,045.2	3,969.4
2021	2,865.0	117.6	938.4	3,921.0
2022-2026	10,105.0	460.0	3,605.5	14,170.5
2027-2031	10,105.0	273.1	2,143.4	12,521.5
2032-2036	9,855.0	69.3	548.8	10,473.1
<b>Total</b>	<b>\$ 43,710.0</b>	<b>\$ 1,503.2</b>	<b>\$ 12,032.6</b>	<b>\$ 57,245.8</b>

Credit Risk – As of June 30, 2016, the fair value of the swaps represents UGAA's exposure to the Counterparty. Should the Counterparty fail to perform in accordance with the terms of the swap agreements, and variable interest rates remain at the current level, UGAA could see a possible gain equivalent to \$12.0 million less the cumulative fair value of \$9.5 million.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

As of June 30, 2016, the Counterparty was rated as follows by Moody's and S&P:

	<u>Moody's</u>	<u>S&amp;P</u>
<b>Bank of America, N.A.</b>	A1	A

**Basis Risk** – The swaps expose UGAA to basis risk. The interest rate on the Series 2003 Bonds and the Series 2005B Bonds is a tax-exempt interest rate, while the LIBOR basis on the variable rate receipt on the interest rate swap agreements is taxable. Tax-exempt interest rates can change without a corresponding change in the 30-day LIBOR rate due to factors affecting the tax-exempt market that do not have a similar effect on the taxable market. UGAA will be exposed to basis risk under the swaps to the extent that the interest rates on the tax-exempt bonds trade at greater than 67% of LIBOR for extended periods of time. UGAA would also be exposed to tax risk stemming from changes in the marginal income tax rates or those caused by a reduction or elimination in the benefits of tax exemption for municipal bonds.

**Termination Risk** – The interest rate swap agreement uses the ISDA Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. UGAA or the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetically fixed interest rate. Also, if at the time of termination, the swap has a negative fair value, then UGAA would be liable to the Counterparty for a payment equal to the swap's fair value.

### Component Units – FASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2016 financial statements for higher education foundations reported as component units reporting under FASB provisions are as follows (amount in thousands):

	<u>Change in Fair Value</u>		<u>Fair Value at 6/30/2016</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<b>Component unit activities - FASB</b>					
Cash flow hedges:					
Georgia College & State					
University Foundation, Inc.	Investment Revenue	\$ 75	Debt	\$ (24)	\$ 1,540
	Investment Revenue	(287)	Debt	(3,463)	25,000
	Investment Revenue	(2,421)	Debt	(11,680)	69,820
MCG Health, Inc.					
	Investment Revenue	(8,726)	Debt	(30,885)	118,190
University of Georgia Foundation					
	Investment Revenue	(686)	Debt	(2,674)	5,365
	Investment Revenue	(1,111)	Debt	(1,599)	12,000
Georgia State University Foundation					
	Investment Revenue	(1,104)	Debt	(15,838)	50,685
Georgia Gwinnett College Foundation					
	Investment Revenue	(5,582)	Debt	(5,582)	23,250
	Investment Revenue	(16)	Debt	(16)	2,467
				<u>\$ (71,761)</u>	

The fair value of the interest rate swap liabilities disclosed above are consistent with the Level 2 Fair Value Hierarchy defined in GASB 72. These Level 2 derivative positions were primarily valued using standard calculations/models that use as their basis readily observable market parameters (interest rates).



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2015, and the changes in fair value for the year then ended as reported in the 2015 financial statements for higher education foundations reported as component units under FASB are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 6/30/2015		
	Classification	Amount	Classification	Amount	Notional
<b>Component unit activities - FASB</b>					
Cash flow hedges:					
Georgia College & State University Foundation, Inc.					
	Investment Revenue	\$ 117	Debt	\$ (99)	\$ 3,005
	Investment Revenue	274	Debt	(3,176)	25,000
	Investment Revenue	(11)	Debt	(9,259)	69,820
MCG Health, Inc.					
	Investment Revenue	(2,034)	Debt	(22,158)	121,890
University of Georgia Foundation					
	Investment Revenue	(146)	Debt	(1,988)	5,486
	Investment Revenue	(488)	Debt	(488)	12,340
				<u>\$ (37,168)</u>	

### Interest Rate Swap Derivatives

#### *Georgia College & State University Foundation, Inc. (GCSUF)*

GCSUF maintains an interest rate risk management strategy that uses interest rate swap derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest rate volatility. GCSUF's specific goal is to lower (where possible) the cost of its borrowed funds.

In connection with the 2007 Series bonds, GCSUF entered into an interest rate swap transaction to convert its variable-rate bond obligations to fixed rates. This swap is utilized to manage interest rate exposures over the period of the interest rate swap. The differential to be paid or received on all swap agreements is accrued as interest rates change and is recognized in interest expense over the life of the agreement. The swap agreements expire at various dates and have a fixed rate of 4.065%. The notional amounts are noted above. The interest rate swap contains no credit-risk-related contingent features and is cross collateralized by certain assets of GCSUF.

On January 31, 2013, the GCSUF modified the swap agreement to lower the interest rate from 4.715% to 4.065%. The present value of the interest savings over the life of the modified swap agreement are approximately \$6.9 million. The lease agreement with the Board of Regents was not modified as a result of the swap modification; however, 40% of the present value of the interest savings will be paid to Georgia College and State University (GCSU) annually. The deferred swap savings due to GCSU is \$2.3 million at June 30, 2016.

#### *MCG Health, Inc.*

MCG Health, Inc. (Company) entered into a variable-to-fixed interest rate swap (the Swap) to convert the variable interest rate on Development Authority of Richmond County Revenue Bonds (Bonds) issued by the Company into a synthetic fixed rate of 3.302 %.

The Bonds and the Swap mature on July 1, 2037. The notional amount of the Swap at June 30, 2016 was \$118.2 million. The notional amount decreased from the initial notional amount of the Swap of \$135 million. The notional value of the Swap declines in conjunction with payments of Bond principal such that the outstanding balance of the Series 2008A and 2008B Bonds and the notional amount of the Swap remain equal at all times. Under the Swap, the Company pays the counterparty interest at a fixed rate of 3.302% and receives interest payments at a variable rate computed as 68% of LIBOR.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

The fair value of the Swap is recorded as an asset or liability, depending on whether the termination of the Swap would result in amounts due to the Company or the Swap counterparty. At June 30, 2016 and 2015, the fair value of the Swap represented a liability to the Company in the amount of \$30.9 million and \$22.2 million, respectively.

The Company or the Swap counterparty is required to post collateral with the other party in the event that the fair value of the Swap exceeds certain thresholds, as defined. At June 30, 2016 and 2015, the Company had posted \$11.4 million and \$1.0 million cash collateral with the Swap counterparty, respectively.

As of June 30, 2016, the Company was exposed to credit risk in the amount of the fair value of the Swap. The Company has two Swap counterparties. As of June 30, 2016, the Swap counterparties were both rated A+ and A by Fitch Ratings, A1 and A2 by Moody's Investors Services, and A to A+ by Standard & Poor's. To mitigate the potential for credit risk, various levels of collateralization by the counterparty may be required should the counterparty's credit rating be downgraded and the fair value of the Swap be in a liability position at a level above certain thresholds specified in the Swap agreement.

The Company or the counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If the Swap is terminated, the variable rate Bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, the Swap has a negative fair value (unfavorable to the Company); the Company would be liable to the counterparty for a payment equal to the Swap's fair value.

#### *The University of Georgia Foundation (UGAF)*

UGAF has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the \$6.2 million note payable from variable to a 5.95% fixed rate over the term of the note payable. As of June 30, 2016 and 2015, the total notional amount of the swap was \$5.4 million and \$5.5 million, respectively. The fair value of this interest rate swap was a liability of \$2.7 million for 2016 and \$2.0 million for 2015. UGAF recorded an unrealized loss on such swap of \$0.7 million and a loss of \$0.1 million for the years ended June 30, 2016 and 2015, respectively.

UGAF has an outstanding interest rate swap agreement effectively converting the interest rate exposure on the \$12.5 million note payable from variable to a 3.37% fixed rate over the term of the note payable. As of June 30, 2016, the total notional amount of the swap was \$12.0 million. As of June 30, 2016, the fair value of this interest rate swap was a liability of \$1.6 million. UGAF recorded an unrealized loss on such swap of \$1.2 million for the year ended June 30, 2016.

#### *Georgia State University Foundation (GSUF)*

GSUF was issued revenue bonds during 2007 by the Joint Development Authority of DeKalb County, Gwinnett County and Newton County. These funds were used to construct several facilities on four campuses of Georgia Perimeter College. These bonds were reissued in May 2010 and are now owned by Wells Fargo, N.A. Principal payments are to be made annually ending in 2035 at an interest rate that contains a variable component (interest rate swap) which creates a synthetic fixed rate (%).

The interest rate swap agreement converted the bonds of \$54.7 million to a 3.73% fixed rate liability. GSUF may terminate this agreement at any time upon settlement of any amounts due under the agreement.

During the three months ended June 30, 2016, the value of the interest rate swap agreement liability increased by \$1.1 million.





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 6 – DERIVATIVE INSTRUMENTS (continued)

The Foundation uses periodic valuations of the interest rate swap, which are provided by Wells Fargo Bank, N.A. to estimate the fair value of the interest rate swap. At June 30, 2016 the value was a liability of \$(15.8 million). At June 30, 2016, the interest rate swap has current notional amount of \$50.7 million and matures in June 2035.

#### *Georgia Gwinnett College Foundation (GGCF)*

GGCF Parking, LLC (Parking) bonds bear interest at a variable rate set at the lessor of (a) auction rates, index rates, daily rates, weekly rates, commercial paper rates, term rates, or fixed rates as selected by Parking and as determined in accordance with the bond indenture or (b) a 12% annual rate. Effective April 1, 2014, GGCF entered into a modified interest rate swap agreement with a commercial bank where the variable rates of the Parking Bonds have been fixed. Fixed interest on the Parking Bonds is 3.49% and is paid in accordance with the bond indenture.

In September 2011, GGCF Collins Industrial, LLC executed a \$2.5 million note payable with a bank to finance the acquisition of a building and land and renovations of the building on that land. In June 2014, Collins Industrial refinanced this note with another bank in the amount of \$2.7 million.

Parking and Collins Industrial entered into interest rate swap contracts to hedge exposure to interest rate fluctuations related to their debt as a result of changes in the USD 1-Month LIBOR BBA index. Parking pays interest monthly at a fixed rate of 3.49% and receives interest monthly at a variable rate of 67% of the USD 1-Month LIBOR BBA index. Collins Industrial pays interest monthly at a fixed rate of 3.38% and receives interest monthly at a variable rate equal to the USD 1-Month LIBOR BBA index plus 2.25%. The changes in forecasted levels of USD 1-Month LIBOR BBA index for the year resulted in reporting a liability for the fair value of the future net payments forecasted under the contract. Parking's swap matures in June 2032 and Collins Industrial's swap matures in June 2017. At June 30, 2016, the interest rate swap liability was \$5.6 million.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 7 - RECEIVABLES

Receivables at June 30, 2016, consisted of the following (amount in thousands):

	Taxes	Notes and Loans	Other	Inter- governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
<b>Governmental Activities</b>							
General Fund	\$ 4,632,269	\$ -	\$ 217,240	\$ 1,601,626	\$ 6,451,135	\$ (1,379,384)	\$ 5,071,751
General Obligation Bond Projects	-	-	390	28,658	29,048	-	29,048
Nonmajor Governmental Funds	-	-	26,455	-	26,455	(45)	26,410
Total - Governmental Funds	4,632,269	-	244,085	1,630,284	6,506,638	(1,379,429)	5,127,209
Government-wide adjustments:							
Nonmajor Governmental Funds	-	10,181	(9,336)	-	845	(654)	191
Internal Service Funds	-	-	74,045	820	74,865	(440)	74,425
<b>Total - Governmental Activities</b>	<b>\$ 4,632,269</b>	<b>\$ 10,181</b>	<b>\$ 308,794</b>	<b>\$ 1,631,104</b>	<b>\$ 6,582,348</b>	<b>\$ (1,380,523)</b>	<b>\$ 5,201,825</b>
<b>Business-type Activities</b>							
Higher Education Fund	\$ -	\$ 43,365	\$ 339,977	\$ 85,438	\$ 468,780	\$ (33,685)	\$ 435,095
State Health Benefit Plan	-	-	2,929	-	2,929	-	2,929
Unemployment							
Compensation Fund	-	-	185,934	70	186,004	(18,089)	167,915
Georgia Higher							
Education Facilities Authority	-	-	476	-	476	-	476
<b>Total - Business-type Activities</b>	<b>\$ -</b>	<b>\$ 43,365</b>	<b>\$ 529,316</b>	<b>\$ 85,508</b>	<b>\$ 658,189</b>	<b>\$ (51,774)</b>	<b>\$ 606,415</b>
<b>Component Units</b>							
Unrestricted:							
Georgia Environmental							
Finance Authority	\$ -	\$ 1,333,178	\$ 7,220	\$ 1,431	\$ 1,341,829	\$ -	\$ 1,341,829
Georgia Housing and							
Finance Authority	-	659,298	443	-	659,741	(4,736)	655,005
Georgia Lottery Corporation	-	-	160,861	-	160,861	(4,281)	156,580
Georgia Ports Authority	-	953	43,125	-	44,078	(3,397)	40,681
Georgia Tech							
Foundation, Incorporated	-	-	240,938	-	240,938	(7,650)	233,288
Nonmajor Component Units	3,709	209,643	2,027,011	13,638	2,254,001	(107,483)	2,146,518
Total - Unrestricted	3,709	2,203,072	2,479,598	15,069	4,701,448	(127,547)	4,573,901
Restricted:							
Georgia Housing and							
Finance Authority	-	969,231	10,083	-	979,314	(4,500)	974,814
Nonmajor Component Units	-	-	131,601	-	131,601	-	131,601
Total - Restricted	-	969,231	141,684	-	1,110,915	(4,500)	1,106,415
<b>Total - Component Units</b>	<b>\$ 3,709</b>	<b>\$ 3,172,303</b>	<b>\$ 2,621,282</b>	<b>\$ 15,069</b>	<b>\$ 5,812,363</b>	<b>\$ (132,047)</b>	<b>\$ 5,680,316</b>



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

**A. Due To/From Other Funds**

Due To/From Other Funds at June 30, 2016, consist of the following (amount in thousands):

	<b>Due From Other Funds</b>					<b>Total Due To Other Funds</b>
	<b>General Fund</b>	<b>Nonmajor Governmental Fund</b>	<b>Higher Education Fund</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	
<b>Due To Other Funds</b>						
General Fund	\$ -	\$ 4,888	\$ -	\$ 425,098	\$ -	\$ 429,986
General Obligation Bond Projects Fund	-	-	19,772	-	-	19,772
Nonmajor Governmental Funds	20,751	-	-	-	-	20,751
Higher Education Fund	-	-	1,708	148,183	-	149,891
State Employees' Health Benefit Plan	-	-	-	-	29,858	29,858
Internal Service Funds	865	-	-	10	-	875
Fiduciary Funds	-	-	-	16	672	688
<b>Total Due From Other Funds</b>	<b>\$ 21,616</b>	<b>\$ 4,888</b>	<b>\$ 21,480</b>	<b>\$ 573,307</b>	<b>\$ 30,530</b>	<b>\$ 651,821</b>

Interfund receivables and payables result from billings for goods/services provided between funds.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS (continued)**

***B. Interfund Transfers***

Interfund transfers at June 30, 2016, consist of the following (amount in thousands):

	Transfers In						Total Transfers Out
	Governmental Funds			Proprietary Funds			
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Internal Service Funds	Fiduciary Funds	
<b>Transfers Out:</b>							
General Fund	\$ -	\$ 9,338	\$ 1,632,539	\$ 2,365,475	\$ 1,430	\$ 2,267	\$ 4,011,049
General Obligation Bond Projects Fund	14,900	-	-	-	-	-	14,900
Nonmajor Governmental Funds	55,733	-	51	-	-	-	55,784
Higher Education Fund	3,263	-	-	-	-	-	3,263
Internal Service Funds	2,362	-	-	-	-	-	2,362
<b>Total Transfers In</b>	<b>\$ 76,258</b>	<b>\$ 9,338</b>	<b>\$ 1,632,590</b>	<b>\$ 2,365,475</b>	<b>\$ 1,430</b>	<b>\$ 2,267</b>	<b>\$ 4,087,358</b>

Transfers are used to move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them and to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 9 – CAPITAL ASSETS

#### A. Primary Government

Capital Asset activity for the fiscal year-ended June 30, 2016, was as follows (amount in thousands):

	<b>Balance 7/1/2015 (Restated - Note 3)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2016</b>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,732,798	\$ 186,562	\$ (33,516)	\$ 3,885,844
Works of Art and Collections	1,379	12	-	1,391
Intangibles - Other Than Software	115,009	4,574	-	119,583
Construction in Progress	<u>2,691,518</u>	<u>2,345,791</u>	<u>(1,830,924)</u>	<u>3,206,385</u>
Total Capital Assets, Not Being Depreciated	<u>6,540,704</u>	<u>2,536,939</u>	<u>(1,864,440)</u>	<u>7,213,203</u>
Capital Assets Being Depreciated:				
Infrastructure	27,522,516	757,214	(33,464)	28,246,266
Buildings and Building Improvements	3,840,821	186,442	(166,561)	3,860,702
Improvements Other Than Buildings	119,120	6,396	-	125,516
Intangibles - Other than Software	942	-	-	942
Machinery and Equipment	984,837	94,247	(64,753)	1,014,331
Software	<u>301,834</u>	<u>13,399</u>	<u>(2,296)</u>	<u>312,937</u>
Total Capital Assets Being Depreciated	<u>32,770,070</u>	<u>1,057,698</u>	<u>(267,074)</u>	<u>33,560,694</u>
Less Accumulated Depreciation For:				
Infrastructure	16,140,210	890,979	(4,815)	17,026,374
Buildings and Building Improvements	1,860,398	110,018	(98,274)	1,872,142
Improvements Other Than Buildings	53,129	2,352	(91)	55,390
Intangibles - Other than Software	401	236	-	637
Machinery and Equipment	769,396	67,816	(42,772)	794,440
Software	<u>225,308</u>	<u>16,184</u>	<u>(574)</u>	<u>240,918</u>
Total Accumulated Depreciation	<u>19,048,842</u>	<u>1,087,585</u>	<u>(146,526)</u>	<u>19,989,901</u>
Total Capital Assets, Being Depreciated, Net	<u>13,721,228</u>	<u>(29,887)</u>	<u>(120,548)</u>	<u>13,570,793</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 20,261,932</u></b>	<b><u>\$ 2,507,052</u></b>	<b><u>\$ (1,984,988)</u></b>	<b><u>\$ 20,783,996</u></b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 9 – CAPITAL ASSETS (continued)

	Balance 7/1/2015 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2016
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 444,992	\$ 16,823	\$ (10)	\$ 461,805
Works of Art and Collections	47,165	2,060	-	49,225
Construction in Progress	236,552	234,959	(228,757)	242,754
Total Capital Assets, Not Being Depreciated	<u>728,709</u>	<u>253,842</u>	<u>(228,767)</u>	<u>753,784</u>
Capital Assets Being Depreciated:				
Infrastructure	358,860	4,968	-	363,828
Buildings and Building Improvements	12,274,665	450,579	(17,356)	12,707,888
Improvements Other Than Buildings	467,378	30,474	(155)	497,697
Machinery and Equipment	1,793,066	161,595	(104,543)	1,850,118
Software	81,707	-	(1,751)	79,956
Library Collections	891,801	35,973	(8,219)	919,555
Works of Art and Collections	6,034	756	(30)	6,760
Total Capital Assets Being Depreciated	<u>15,873,511</u>	<u>684,345</u>	<u>(132,054)</u>	<u>16,425,802</u>
Less Accumulated Depreciation For:				
Infrastructure	129,197	11,413	(2)	140,608
Buildings and Building Improvements	3,576,924	327,242	(13,085)	3,891,081
Improvements Other Than Buildings	197,285	16,542	(153)	213,674
Machinery and Equipment	1,301,371	137,673	(90,010)	1,349,034
Software	21,575	7,186	(1,693)	27,068
Library Collections	713,052	34,741	(8,423)	739,370
Works of Art and Collections	1,218	144	(21)	1,341
Total Accumulated Depreciation	<u>5,940,622</u>	<u>534,941</u>	<u>(113,387)</u>	<u>6,362,176</u>
Total Capital Assets, Being Depreciated, Net	<u>9,932,889</u>	<u>149,404</u>	<u>(18,667)</u>	<u>10,063,626</u>
<b>Business-type Activities, Capital Assets, Net</b>	<u><b>\$ 10,661,598</b></u>	<u><b>\$ 403,246</b></u>	<u><b>\$ (247,434)</b></u>	<u><b>\$ 10,817,410</b></u>

Current period depreciation expense was charged to functions of the primary government as follows (amount in thousands):

Governmental Activities		Business-type Activities	
General Government	\$ 25,298	Higher Education Fund	<u>\$ 534,941</u>
Education	1,805		
Health and Welfare	19,218		
Transportation	904,356		
Public Safety	73,519		
Economic Development	18,219		
Culture and Recreation	13,612		
Conservation	5,055		
Internal Service Funds			
(Depreciation on capital assets held by the State's internal service funds are charged to the various functions based on their usage of assets)	<u>26,503</u>		
<b>Depreciation Expense - Governmental Activities</b>	<u><b>\$ 1,087,585</b></u>		



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 9 – CAPITAL ASSETS (continued)

#### B. Component Units

Capital Asset activity for the fiscal year-ended June 30, 2016, was as follows (amount in thousands):

<b>Component Units :</b>	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 341,890	\$ 16,972	\$ (828)	\$ 358,034
Works of Art and Collections	1,670	-	-	1,670
Intangible Other Than Software	910	-	-	910
Construction in Progress	500,537	640,105	(65,159)	1,075,483
<b>Total Capital Assets, Not Being Depreciated</b>	<b>845,007</b>	<b>657,077</b>	<b>(65,987)</b>	<b>\$ 1,436,097</b>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure	334,455	9,044	-	343,499
Buildings and Building Improvements	1,267,999	20,291	(3,377)	1,284,913
Improvements Other Than Buildings	578,464	80,103	(1,970)	656,597
Machinery and Equipment	996,935	63,165	(29,657)	1,030,443
Software	15,253	491	(48)	15,696
Library Collections	3,965	249	(141)	4,073
Works of Art and Collections	71	-	-	71
<b>Total Capital Assets Being Depreciated</b>	<b>3,197,142</b>	<b>173,343</b>	<b>(35,193)</b>	<b>3,335,292</b>
<b>Less Accumulated Depreciation For:</b>				
Infrastructure	145,843	10,202	-	156,045
Buildings and Building Improvements	559,569	43,245	(1,929)	600,885
Improvements Other Than Buildings	271,383	27,099	(679)	297,803
Machinery and Equipment	574,710	64,573	(25,717)	613,566
Software	6,616	1,777	-	8,393
Library Collections	2,688	251	(141)	2,798
Works of Art and Collections	17	2	-	19
<b>Total Accumulated Depreciation</b>	<b>1,560,826</b>	<b>147,149</b>	<b>(28,466)</b>	<b>1,679,509</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,636,316</b>	<b>26,194</b>	<b>(6,727)</b>	<b>1,655,783</b>
<b>Component Units Capital Assets, Net*</b>	<b>\$ 2,481,323</b>	<b>\$ 683,271</b>	<b>\$ (72,714)</b>	<b>\$ 3,091,880</b>

\*Certain higher education foundations and other similar organizations utilize FASB standards.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 9 – CAPITAL ASSETS (continued)

As of June 30, 2016, balances are available as follows:

Capital Assets Not Being Depreciated:	
Land	\$ 39,833
Works of Art and Collections	1,897
Construction in Progress	931
Total Capital Assets, Not Being Depreciated	<u>42,660</u>
Capital Assets Being Depreciated	
Buildings and Building Improvements	217,877
Improvements Other Than Buildings	366
Machinery and Equipment	32,884
Software	4,237
Total Capital Assets Being Depreciated	<u>255,365</u>
Less: Accumulated Depreciation	<u>(96,529)</u>
Total Capital Assets, Being Depreciated, Net	<u>158,836</u>
Capital Assets, Net (FASB presentation)	<u>201,496</u>
<b>Total Capital Assets, Net - All Component Units</b>	<b><u>\$ 3,293,376</u></b>





**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 10 – LONG-TERM LIABILITIES**

**A. Changes in Long-term Liabilities**

**Primary Government**

Changes in long-term liabilities for the fiscal year-ended June 30, 2016, are as follows (amount in thousands):

	<b>Balance 7/1/2015 (Restated - Note 3)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/2016</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 8,770,990	\$ 1,284,340	\$ (1,103,070)	\$ 8,952,260	\$ 778,315
Revenue Bonds Payable	355,020	1,936	(38,045)	318,911	39,965
GARVEE Bonds Payable	772,180	-	(147,640)	624,540	154,560
Less deferred amounts:					
Net Unamortized Premiums	651,851	30,779	(100,953)	581,677	-
Total Bonds Payable	10,550,041	1,317,055	(1,389,708)	10,477,388	972,840
Notes and Loans Payable	39,367	50,979	(3,118)	87,228	3,371
Capital Lease Obligations	208,298	33,934	(57,543)	184,689	19,380
Compensated Absences Payable	319,624	148,812	(141,500)	326,936	135,530
Arbitrage	962	-	(962)	-	-
<b>Total Governmental Activities</b>	<b>\$ 11,118,292</b>	<b>\$ 1,550,780</b>	<b>\$ (1,592,831)</b>	<b>\$ 11,076,241</b>	<b>\$ 1,131,121</b>
<b>Business-type Activities</b>					
Revenue Bonds Payable	\$ 760,830	\$ 26,269	\$ (47,425)	\$ 739,674	\$ 16,604
Less deferred amounts:					
Net Unamortized Premiums (Discounts)	16,056	2,376	(1,567)	16,865	-
Total Bonds Payable	776,886	28,645	(48,992)	756,539	16,604
Notes and Loans Payable	2,208	10,920	(1,451)	11,677	1,416
Capital Lease Obligations	2,710,711	18,599	(96,049)	2,633,261	70,034
Compensated Absences Payable	233,425	166,776	(158,075)	242,126	152,930
Other Postemployment Benefit Obligation	2,163,377	304,291	(111,800)	2,355,868	-
<b>Total Business-type Activities</b>	<b>\$ 5,886,607</b>	<b>\$ 529,231</b>	<b>\$ (416,367)</b>	<b>\$ 5,999,471</b>	<b>\$ 240,984</b>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above total for governmental activities. The following long-term liabilities of internal service funds were included in the above balance as of June 30, 2016: capital leases of \$50.7 million, compensated absences of \$4.8 million and notes payable of \$18.5 million. Of these amounts, \$4.6 million, \$2.1 million and \$3.2 million, respectively, are due within one year. In general, the capital leases and compensated absences of the governmental activities are liquidated by the general fund.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 10 – LONG-TERM LIABILITIES (continued)**

**Component Units**

Changes in long-term liabilities for the fiscal year-ended June 30, 2016, are as follows (amount in thousands):

	Balance 7/1/2015 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2016	Amounts Due Within One Year
<b>Component Units</b>					
Revenue Bonds Payable	\$ 2,367,153	\$ 163,861	\$ (244,169)	\$ 2,286,845	\$ 92,006
Mortgage Bonds Payable	1,109,755	218,955	(206,400)	1,122,310	30,775
Net Unamortized Premiums	45,399	14,505	(2,063)	57,841	-
Total Bonds Payable	3,522,307	397,321	(452,632)	3,466,996	122,781
Notes and Loans Payable	216,533	4,625	(37,879)	183,279	45,975
Net Unamortized Premiums	2,263	-	(197)	2,066	-
Capital Lease Obligations	51,990	4,046	(7,908)	48,128	8,291
Compensated Absences Payable	27,558	11,280	(10,031)	28,807	21,470
Grand Prizes Payable	202,113	7,414	(23,437)	186,090	5,739
Derivative Instruments Payable	44,662	36,569	-	81,231	-
Other Liabilities	20,866	15,797	(4,287)	32,376	5,103
<b>Total Component Units</b>	<b>\$ 4,088,292</b>	<b>\$ 477,052</b>	<b>\$ (536,371)</b>	<b>\$ 4,028,973</b>	<b>\$ 209,359</b>

**B. Bonds and Notes Payable**

At June 30, 2016, bonds and notes payable currently outstanding are as follows (amount in thousands):

	Interest Rates	Maturing Through Year	Original Issue Amount	Outstanding Amount
<b><u>Governmental Activities</u></b>				
General Obligation Bonds				
General Government	0.30% - 6.40%	2035	\$ 15,897,170	\$ 6,636,490
General Government - Refunding	2.0% - 9.00%	2026		2,315,770
Revenue Bonds				
Transportation Projects	2.25% - 7.00%	2049	657,975	318,911
GARVEE Bonds	3.0% - 5.00%	2021	1,650,000	624,540
Notes and Loans Payable	0.0% - 4.83%	2034	90,600	87,228
<b><u>Business-type Activities</u></b>				
Revenue Bonds				
Georgia Higher Education Facilities Authority	2.0% - 6.25%	2041	285,280	238,770
Higher Education Foundations	2.0% - 5.5%	2043	533,085	500,904
Notes and Loans Payable	0.0% - 2.04%	2024	13,087	11,677
<b><u>Component Units</u></b>				
Revenue Bonds				
Higher Education Foundations	.39% - 6.3%	2044	2,210,930	1,994,517
Georgia Tech Foundation	1.64% - 6.66%	2049	281,055	226,470
Other Revenue Bonds	.54% - 5.28%	2031	218,505	65,858
Mortgage Bonds				
Georgia Housing and Financing Authority	.15% - 5.375%	2046	1,537,730	1,122,310
Notes and Loans Payable				
Higher Education Foundations	0.0% - 4.25%	2040	140,817	108,623
Georgia Tech Foundation	.93% - 1.05%	2018	58,500	31,230
Other Notes and Loans Payable	.82% - 4.16%	2028	70,141	43,426



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 10 – LONG-TERM LIABILITIES (continued)

#### C. General Obligation Bonds

##### Primary Government

The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both general State and proprietary activities, to provide loans to local governments for water and sewer systems, to construct educational facilities for local school systems, and to refund general obligation bonds. General obligation bonds are direct obligations of the State to which the full faith and credit of the State are pledged.

##### **Bonds Authorized but Unissued**

Authorized but unissued general obligation bonds as of June 30, 2016, are as follows (amount in thousands):

<u>Purpose</u>	<u>Authorized Unissued Debt</u>
K-12 Education	\$ 299,760
Higher Education	102,460
Revenue	10,000
Behavioral Health and Developmental Disabilities	7,460
Public Health	6,300
Public Libraries	4,280
Other	7,810
<b>Total</b>	<b>\$ 438,070</b>

##### **Defeasance and Refunding of General Obligation Bonds**

On July 9, 2015, the State issued \$276.0 million of current refunding bonds; the General Obligation Refunding Bond Series 2015C proceeds were used to refund a total \$300.6 million from General Obligation Bonds Series 2005B which had an interest rate of 5.00%. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding is \$29.6 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. In addition, the refunding produced an economic gain of \$28.7 million.

As of June 30, 2016, the State had total outstanding advance refunded bonds of \$491.9 million. The debt service for the refunded bonds is paid by a combination of cash and U.S. Treasury securities held irrevocably in escrow accounts. The escrow account assets and the liability for the defeased bonds are not included in the State's financial statements.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 10 – LONG-TERM LIABILITIES (continued)

#### *D. Revenue Bonds*

##### **Governmental Activities**

State Road and Tollway Authority (SRTA) has issued Guaranteed Revenue Bonds for the purpose of financing certain road and bridge projects in the State. The guaranteed revenue bonds are secured by a joint resolution between the Department of Transportation (DOT) (General Fund) and the SRTA (Nonmajor Governmental Fund) whereby DOT has pledged to provide sufficient motor fuel tax funds to pay the principal and interest of the revenue bonds. According to the State Constitution, motor fuel tax funds are imposed and appropriated for all activities incident to maintaining an adequate system of roads and bridges in the State. In fiscal year 2016, the State collected \$1.7 billion of motor fuel tax funds, which exceeds the principal and interest due on the revenue bonds of \$54.0 million for the same fiscal year. Further, the State has guaranteed the full payment of the bonds and the interest.

SRTA issued Federal Highway Grant Anticipation Revenue Bonds and Federal Highway Reimbursement Bonds (GARVEE's). These bond proceeds will be used for the purpose of providing funds for an approved land public transportation project. These bonds do not constitute a pledge of the faith and credit of SRTA or the State.

SRTA has issued toll revenue bonds for the purpose of paying the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project, financing a debt service reserve and paying the costs of issuance of the bonds. Interest on the bonds will not be paid on a current basis, but will be added to the principal amount of such bonds on each "accretion date," which is each June 1 and December 1, commencing December 1, 2014. Interest on these bonds ranges from 6.25% to 7.00%. As of June 30, 2016, the outstanding principal balance is \$29.8 million.

##### **Business-type Activities**

Higher Education Foundations have issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campuses of the Board of Regents. The bond issues have interest rates ranging from 2.0% to 5.5% with maturity dates through fiscal year 2043. As of June 30, 2016, the outstanding principal for these revenue bonds is \$500.9 million. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.

Georgia Higher Education Facilities Authority (GHEFA) has issued revenue bonds for the purpose of acquiring, constructing and equipping several projects on college campuses throughout the State. The bonds are secured solely by the related security deed and related assignment of contract documents. As of June 30, 2016, the outstanding principal for these revenue bonds is \$238.8 million.

##### **Component Units**

Higher Education Foundations have issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campuses of the Board of Regents. The bond issues have interest rates ranging from .39% to 6.3% with maturity dates through fiscal year 2044. As of June 30, 2016, the outstanding principal for these revenue bonds was \$2.0 billion. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 10 – LONG-TERM LIABILITIES (continued)

Georgia Tech Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities located on the campus of The Georgia Institute of Technology. The bond issues have interest rates ranging from 1.31% - 6.66% with maturity dates through fiscal year 2049. As of June 30, 2016, the outstanding principal for these revenue bonds was \$226.5 million. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.

Other component units had revenue bonds payable outstanding at June 30, 2016, of \$65.9 million as detailed below (amounts in thousands):

	<u>Amount</u>
Georgia Environmental Finance Authority	\$ 55,800
Lake Lanier Islands Development Authority	7,203
Regional Educational Service Agencies	<u>2,855</u>
<b>Total</b>	<b><u>\$ 65,858</u></b>

#### *E. Mortgage Bonds*

##### Component Units

Mortgage bonds outstanding of \$1.1 billion at June 30, 2016, were issued by the Georgia Housing and Finance Authority for financing the purchase of single-family mortgage loans for eligible persons and families of low and moderate income within the State.

#### *F. Notes and Loans Payable*

##### Governmental Activities

Notes and loans payable for governmental activities as of June 30, 2016, were \$87.2 million.

- Of this amount, \$30.1 million, and \$4.6 million, respectively, is attributable to Energy Performance Contracts for the Department of Economic Development and the Department of Natural Resources.
- SRTA has entered into a Design Build Finance Loan in which the developer is solely responsible for satisfying a Developer Finance Obligation (Obligation) at its own risk and cost without risk and recourse to SRTA or GDOT. The developer will pursue and maintain this Obligation in accordance with a Project Plan of Finance. The Obligation requires the Developer to self-finance a portion of the costs of the project in an amount not less than \$59.9 million. As of June 30, 2016, the outstanding principal balance is \$34.0 million.
- Georgia Technology Authority has total notes payable of \$18.5 million. Of this amount, \$17.5 million is related to the Statewide Cost Allocation Plan for the fiscal years 2004 to 2009, and is payable to the U.S. Department of Health and Human Services with a 1.0% interest rate, and matures in 2022. The remaining \$1.0 million is financing for equipment purchases with 4.6% interest rate and matures in 2019.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 10 – LONG-TERM LIABILITIES (continued)

#### Business-type Activities

Notes and loans payable for business-type activities as of June 30, 2016, were as follows (amount in thousands):

	<u>Amount</u>
Georgia Institute of Technology	\$ 7,762
University of Georgia	2,423
The Technical College System of Georgia	<u>1,493</u>
<b>Total</b>	<b><u>\$ 11,678</u></b>

#### Component Units

Notes and loans payable for component units as of June 30, 2016, were as follows (amount in thousands):

	<u>Amount</u>
Higher Education Foundations	\$ 108,623
Georgia Tech Foundation, Inc.	31,230
Georgia Ports Authority	29,257
Lake Lanier Islands Development Authority	11,155
Georgia Military College	<u>3,014</u>
<b>Total</b>	<b><u>\$ 183,279</u></b>

#### **Higher Education Foundations Notes and Loans**

During fiscal year 2012, MCG Health System, Inc. entered into a note in the amount of \$50.0 million. Funds from the note are to be used to fund certain construction and renovation projects and to purchase new and replacement equipment. The note bears a fixed interest rate of 2.05% for a three year term, and the interest is due monthly. The terms of the note were modified on June 30, 2015. Effective July 1, 2015, the note is modified to a variable interest note and incurs interest at a rate of LIBOR plus 0.65% per annum. The annual effective interest rate on the note was 0.968% for fiscal year 2016. The note is extended for a three-year term through July 1, 2018, and the interest is due monthly. The balance on the note at June 30, 2016 was \$43.9 million.

In 2004, the MCG Physicians Practice Group Cancer Research Center (CRC) issued a total of \$32.9 million Development Authority of Richmond County Education Facilities Revenue Bonds. Proceeds from the bonds provided the funds to finance the cost of the construction of a portion of a cancer research center building on the campus of Augusta University. Semi-annual interest payments at interest rates range from 2.5% to 5.0%. On October 30, 2014, CRC issued the Development Authority of Richmond County Revenue Refunding Bonds in the amount of \$24.5 million. Proceeds of the Series 2014 Bonds were used to refund all of the 2004 bonds, fund a debt service reserve fund for the Series 2014 Bonds, and pay the cost of issuing the 2014 Series Bonds. Semi-annual interest payments at interest rates range from 3.0% to 5.0%. The effective interest rate at June 30, 2016, was 2.93% and the amount outstanding on the loan was \$23.7 million.

During fiscal year 2007, the University of Georgia Foundation signed a \$6.2 million promissory loan agreement which expires on November 1, 2017. Interest is charged at the bank's 30-day LIBOR plus 0.325%. The balance on this note at June 30, 2016, was \$5.4 million. In addition, during fiscal year 2014, the Foundation entered into a line of credit agreement totaling \$9.5 million for use in the acquisition and renovation of the Washington, D.C. property.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 10 – LONG-TERM LIABILITIES (continued)

As of June 30, 2016, no amounts are outstanding under this line of credit. During fiscal year 2015, the Foundation entered into a series of transactions as follows: (1) The Foundation entered into a tax-exempt financing project with the Washington D.C. District council for \$12.5 million involving tax-exempt bonds, which expire on November 1, 2039 and accrue interest at a per annum rate equal to 75% of the sum of one-month LIBOR, plus 1.60% payable monthly, and (2) the Foundation entered into a loan agreement with a bank in which the Foundation fully repaid its obligation under the newly acquired tax-exempt bonds in exchange for a promissory loan relating to the same principal. The promissory loan agreement expires on November 1, 2039, is collateralized by certain real property, and includes certain debt covenants and restrictions. Interest on the promissory loan agreement is charged at 75% of the sum of one-month LIBOR plus 1.60%; such rate was 1.57% at June 30, 2016. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2016 was \$11.9 million.

Notes and loans payable include a revolving credit agreement for the University of Georgia Research Foundation, Inc. which provides for borrowings or letters of credit at the Research Foundation's option. At June 30, 2016, amounts outstanding or issued under this agreement included borrowings of \$8.5 million, resulting in \$16.5 million available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's 30-day LIBOR plus 0.6%. At June 30, 2016, the rate applicable to the borrowings was 1.05%.

The Georgia Tech Athletic Association (GTAA) entered into a note payable for \$9.0 million, which is secured by real property. Interest is payable quarterly at a variable rate of 30-day LIBOR plus 1.85% per annum. As of June 30, 2016, the outstanding balance on the note was \$6.3 million. GTAA has also entered into an unsecured note payable for \$1.1 million. Interest is payable semi-annually. The effective rate of interest at June 30, 2016 was 4.25%. As of June 30, 2016, the outstanding balance on the note was \$0.7 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2016, an additional \$8.2 million in notes was held by various higher education foundations.

### Other Component Units Notes and Loans

The Georgia Tech Foundation, Inc. has three \$10.0 million revolving lines of credit and one \$28.5 million non-revolving line of credit. As of June 30, 2016, \$31.2 million was outstanding on these lines of credit. Interest is calculated using the 30-day LIBOR rate.

The Georgia Ports Authority maintains an uncollateralized revolving line of credit in the amount of \$48.0 million. As of June 30, 2016, \$29.3 million was outstanding on this line of credit. The interest rate (0.82% at June 30, 2016) is based on the one-month LIBOR rate. This revolving line of credit expires on September 5, 2017.

### G. Interest Rate Swaps

As a means of interest rate management, various higher education foundations have entered into interest rate swap agreements. For further details on these agreements, please refer to *Note 6-Derivative Instruments*.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 10 – LONG-TERM LIABILITIES (continued)**

***H. Pollution Remediation***

Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations.

**Governmental Activities**

**Department of Transportation**

DOT has recorded liabilities totaling \$0.1 million at June 30, 2016 for pollution remediation related to pollution remediation at two laboratory sites. The liabilities were determined using the expected cash flow measurement technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal year 2016 was as follows (amount in thousands):

<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Amounts due</u> <u>Within</u> <u>One Year</u>
\$ 186	\$ 147	\$ 186	\$ 147	\$ 147

**Department of Defense**

The Department of Defense has recorded liabilities totaling \$0.3 million at June 30, 2016 for pollution remediation primarily related to ground contamination at four sites. The liabilities were determined by previous experience. The estimated amount of recovery from insurance and other potentially responsible parties is \$0.2 million. Pollution remediation liability activity in fiscal year 2016 was as follows (amount in thousands):

<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Amounts due</u> <u>Within</u> <u>One Year</u>
\$ 266	\$ 50	\$ 31	\$ 285	\$ 285

**Department of Agriculture**

The Department of Agriculture has learned that it may have treated, stored, or disposed of a small amount of potentially hazardous material at a Marine Shale Processors site and therefore may have to participate in pollution remediation. No estimate of a potential liability is available.

**Business-type Activities**

**University of Georgia**

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of \$0.8 million. The liability was determined using a five year budget estimate provided by Brown and Caldwell. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 10 – LONG-TERM LIABILITIES (continued)

expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2016 was as follows (amount in thousands):

<u>Balance</u>			<u>Balance</u>	<u>Amounts due</u>
<u>7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2016</u>	<u>Within</u>
				<u>One Year</u>
\$ 874	\$ 38	\$ 142	\$ 770	\$ 181

#### Georgia Institute of Technology

Georgia Institute of Technology is responsible for pollution remediation at all Institute facilities including, but not limited to ground contamination, storage/treatment/disposal of hazardous materials and asbestos abatement. Pollution remediation obligations reflect estimates that have the potential to change due to such items as price increases or reductions, new technology, or changes in applicable laws or regulations. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2016 was as follows (amount in thousands):

<u>Balance</u>			<u>Balance</u>	<u>Amounts due</u>
<u>7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2016</u>	<u>Within</u>
				<u>One Year</u>
\$ 210	\$ 437	\$ 210	\$ 437	\$ 437

#### Georgia Southern University (GSU) Housing Foundation, Inc.

The two housing facilities constructed with the proceeds from a Foundation bond issue required some unexpected repairs. For one of the housing facilities, a mold problem was discovered, and the costs to repair the damage to the facility were \$1.9 million, recognized during the two fiscal years ending June 30, 2009 and 2008. Claims have been made against the developer. All claims are currently under review by the respective claims adjustors. Any amount expected to be recovered from these claims cannot be estimated at this time.

For the other housing facility, a mold problem was also discovered in May, 2009, and the costs to repair the damage to the facility were \$4.9 million, which were paid by GSU. This amount, which was recognized in the fiscal year ended June 30, 2010, is to be repaid to GSU sometime after the next fiscal year and is considered long-term. Claims were filed by the Foundation's attorneys against the developer during a prior fiscal year. The court's initial ruling was to put the parties involved in arbitration. Any amount expected to be recovered cannot be estimated at this time.

#### Component Units

##### Georgia Ports Authority

The Georgia Ports Authority is responsible for certain pollution remediation costs related to soil and groundwater contamination at its Bainbridge, Georgia terminal. The amount of environmental clean-up costs that have been accrued by the Authority as of June 30, 2016 is approximately \$0.2 million and is reported with accounts payable and other accruals.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 10 – LONG-TERM LIABILITIES (continued)

#### I. Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds, revenue bonds, GARVEE bonds, mortgage bonds and notes and loans payable are as follows (amount in thousands):

#### Primary Government

Year	Governmental Activities							
	General Obligation Bonds		Revenue Bonds		GARVEE Bonds		Notes and Loans Payable	
	Principal *	Interest	Principal **	Interest	Principal	Interest	Principal	Interest
2017	\$ 778,315	\$ 388,267	\$ 39,965	\$ 14,034	\$ 154,560	\$ 30,684	\$ 3,372	\$ 754
2018	772,320	352,236	41,980	12,014	162,085	23,161	4,701	1,799
2019	730,875	318,351	44,105	9,893	119,135	15,197	38,575	1,688
2020	687,720	286,096	47,183	7,664	125,045	9,286	4,306	1,586
2021	650,940	254,867	49,980	5,322	63,715	3,072	13,036	5,888
2022-2026	2,776,700	869,474	75,258	9,981	-	-	10,988	4,376
2027-2031	1,929,420	322,992	6,077	11,919	-	-	12,103	1,268
2032-2036	625,970	45,356	6,807	11,825	-	-	147	1
2037-2041	-	-	8,845	9,791	-	-	-	-
2042-2046	-	-	12,400	6,232	-	-	-	-
2047-2051	-	-	10,030	1,458	-	-	-	-
<b>Total</b>	<b>\$ 8,952,260</b>	<b>\$ 2,837,639</b>	<b>\$ 342,630</b>	<b>\$ 100,133</b>	<b>\$ 624,540</b>	<b>\$ 81,400</b>	<b>\$ 87,228</b>	<b>\$ 17,360</b>

Year	Business-type Activities			
	Revenue Bonds		Notes and Loans Payable	
	Principal	Interest	Principal	Interest
2017	\$ 16,606	\$ 33,829	\$ 1,416	\$ 304
2018	18,214	33,208	2,166	185
2019	19,435	32,453	1,438	156
2020	21,045	31,598	1,467	127
2021	22,475	30,675	1,497	97
2022-2026	134,051	136,382	3,693	106
2027-2031	171,100	102,576	-	-
2032-2036	169,645	64,279	-	-
2037-2041	157,060	20,522	-	-
2042-2046	10,043	376	-	-
<b>Total</b>	<b>\$ 739,674</b>	<b>\$ 485,898</b>	<b>\$ 11,677</b>	<b>\$ 975</b>

\* Includes \$127.3 million of bonds with variable interest rates that reset weekly at a spread of 40 basis points to the weekly Securities Industry and Financial Markets Association rate. The interest rate at June 30, 2016, for these variable rate bonds, was 0.81%.

\*\* Includes accreted interest of \$23.7 million that will be recorded in future years to increase bonds payable as the interest accretes.



Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

NOTE 10 – LONG-TERM LIABILITIES (continued)

Component Units

Year	Higher Education Foundations		Georgia Tech Foundation		Other Component Units	
	Revenue Bonds		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 75,708	\$ 90,924	\$ 10,295	\$ 11,173	\$ 6,003	\$ 3,298
2018	55,236	88,706	10,725	10,811	911	3,251
2019	56,622	86,294	11,225	10,304	956	3,207
2020	87,544	93,557	11,830	9,704	1,003	3,161
2021	77,549	99,474	12,585	9,029	1,576	3,135
2022-2026	389,299	337,754	67,600	34,249	3,203	14,878
2027-2031	450,989	243,751	69,975	16,482	52,206	14,103
2032-2036	415,827	143,579	15,475	3,897	-	-
2037-2041	337,774	52,330	5,285	2,739	-	-
2042-2046	47,969	2,051	7,285	1,539	-	-
2047-2051	-	-	4,190	-	-	-
<b>Total</b>	<b>\$ 1,994,517</b>	<b>\$ 1,238,420</b>	<b>\$ 226,470</b>	<b>\$ 109,927</b>	<b>\$ 65,858</b>	<b>\$ 45,033</b>

Year	Higher Education Foundations		Georgia Tech Foundation		Other Component Units	
	Notes and Loans Payable		Notes and Loans Payable		Notes and Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 11,208	\$ 2,279	\$ 31,230	\$ 297	\$ 3,537	\$ 524
2018	11,587	1,894	-	-	28,029	480
2019	48,458	1,320	-	-	1,208	434
2020	2,797	1,262	-	-	1,246	390
2021	2,726	1,211	-	-	1,285	339
2022-2026	10,301	5,034	-	-	7,903	693
2027-2031	9,706	3,169	-	-	218	1
2032-2036	9,755	1,154	-	-	-	-
2037-2041	2,085	117	-	-	-	-
<b>Total</b>	<b>\$ 108,623</b>	<b>\$ 17,440</b>	<b>\$ 31,230</b>	<b>\$ 297</b>	<b>\$ 43,426</b>	<b>\$ 2,861</b>

Year	Georgia Housing and Finance Authority	
	Mortgage Bonds	
	Principal	Interest
2017	\$ 30,775	\$ 37,732
2018	30,450	37,229
2019	32,150	36,601
2020	33,250	35,836
2021	34,175	34,956
2022-2026	177,850	158,078
2027-2031	190,830	126,295
2032-2036	241,565	87,350
2037-2041	225,185	43,581
2042-2046	126,080	9,797
<b>Total</b>	<b>\$ 1,122,310</b>	<b>\$ 607,455</b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 11 – LEASES

#### A. Operating Leases

The State leases land, office facilities, office and computer equipment, and other assets. Some of these leases are considered for accounting purposes to be operating leases. Although lease terms vary, many leases are subject to appropriation from the General Assembly to continue the obligation. Other leases generally contain provisions that, at the expiration date of the original term of the lease, the State has the option of renewing the lease on a year-to-year basis. Leases renewed yearly for a specified time period, i.e. lease expires at 12 months and must be renewed for the next year, may not meet the qualification as an operating lease.

Total lease payments for the State's governmental activities, business-type activities, and component units were \$38.3 million, \$56.1 million, and \$28.4 million, respectively, for the year ended June 30, 2016. Future minimum commitments for operating leases as of June 30, 2016, are listed below (amount in thousands).

Fiscal Year Ended June 30	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
2017	\$ 24,581	\$ 47,631	\$ 26,088
2018	15,809	39,750	24,764
2019	9,677	45,753	21,717
2020	5,168	43,554	18,987
2021	3,004	38,796	18,913
2022-2026	9,438	175,244	56,004
2027-2031	2,916	116,339	23,173
2032-2036	2,009	45,334	11,779
2037-2041	30	2,643	693
2042-2046	12	664	-
2047-2051	12	664	-
2052-2056	10	263	-
<b>Total Future Minimum Commitments</b>	<b>\$ 72,666</b>	<b>\$ 556,635</b>	<b>\$ 202,118</b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 11 – LEASES (continued)

#### *B. Capital Leases*

The State acquires certain property and equipment through multi-year capital leases with varying terms and options. In accordance with O.C.G.A. 50-5-64, the majority of these agreements shall terminate absolutely and without further obligation at the close of the fiscal year in which it was executed and at the close of each succeeding fiscal year for which it may be renewed. These agreements may be renewed only by a positive action taken by the State. The agreements shall terminate immediately at such time as appropriated and otherwise unobligated funds are no longer available to satisfy the obligations of the State.

The expense resulting from the amortization of assets recorded under capital leases is included in depreciation expense. At June 30, 2016, the historical cost of assets acquired through capital leases was as follows (amount in thousands):

	<b>Primary Government</b>		<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
Land	\$ -	\$ 50,979	\$ 76
Infrastructure	-	39,705	-
Buildings	269,540	3,435,414	4,516
Improvements Other Than Buildings	-	6,893	-
Machinery and Equipment	4,452	34,570	53,578
Software	1,887	-	-
Less: Accumulated Depreciation	(140,802)	(817,339)	(23,537)
<b>Total Assets Held Under Capital Lease</b>	<b>\$ 135,077</b>	<b>\$ 2,750,222</b>	<b>\$ 34,633</b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 11 – LEASES (continued)

At June 30, 2016, future commitments under capital leases were as follows (amount in thousands):

<u>Fiscal Year Ended June 30,</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
2017	\$ 43,550	\$ 232,531	\$ 10,659
2018	41,842	233,414	14,786
2019	40,657	236,101	9,156
2020	34,063	236,605	7,830
2021	30,275	235,641	5,856
2022-2026	98,767	1,164,849	7,151
2027-2031	64,396	1,152,526	140
2032-2036	35,450	891,792	166
2037-2041	10,435	464,122	55
2042-2046	2,919	26,901	34
2047-2051	30	3,869	42
2052-2056	30	774	55
2057-2061	-	-	76
Total Capital Lease Payments	402,414	4,879,125	56,006
Less: Interest	(209,511)	(1,914,062)	(7,855)
Executory Costs	(8,214)	(331,802)	(23)
<b>Present Value of Capital Lease Payments</b>	<b>\$ 184,689</b>	<b>\$ 2,633,261</b>	<b>\$ 48,128</b>

The future commitments for capital leases of the business-type activities include leases payable to higher education foundations (component units) for various facilities located on the campuses of the University System of Georgia.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 11 – LEASES (continued)**

**C. Leases Receivable**

The State leases certain facilities and land for use by others for terms varying from 1 to 40 years. The leases are accounted for as operating leases; revenues for services provided and for use of facilities are recorded when earned.

Total revenues from rental of land and facilities for the State’s governmental activities and component units were \$8.7 million, and \$41.7 million, respectively, for the year ended June 30, 2016. Minimum future revenues and rentals to be received under operating leases as of June 30, 2016, are as follows (amount in thousands):

<u>Fiscal Year Ended June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
2017	\$ 8,824	\$ -	\$ 30,690
2018	8,916	-	17,787
2019	9,015	-	16,471
2020	4,998	-	15,728
2021	1,170	-	15,025
2022-2026	4,004	-	70,323
2027-2031	3,705	-	60,651
2032-2036	3,922	-	39,078
2037-2041	4,141	-	10,748
2042-2046	3,044	-	2,653
2047-2051	33	-	2,360
2052-2056	-	-	2
<b>Total Minimum Revenues</b>	<b>\$ 51,772</b>	<b>\$ -</b>	<b>\$ 281,516</b>

**Component Units**

Foundations related to Higher Education have lease operations consisting of real estate leases to the Board of Regents. Minimum future payments to be received from these capital leases as of June 30, 2016, are as follows (amount in thousands):

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2017	\$ 122,523
2018	123,472
2019	124,975
2020	125,962
2021	126,759
Thereafter	2,121,832
Total Minimum Revenues	2,745,523
Less: Unearned Income	(1,013,609)
<b>Net Revenue</b>	<b>\$ 1,731,914</b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 11 – LEASES (continued)

#### *D. Related Parties*

#### **Primary Government**

##### **University System of Georgia Foundations**

During fiscal year 2016, various foundations that are not included in the government wide financial statements have entered into transactions with institutions of the University of Georgia as well as other higher education foundations that are presented as blended component units. The University System of Georgia institutions have capital leases payable to these foundations that are not included in the primary government or as component units in the amount of \$722.5 million as of June 30, 2016.





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 12 – ENDOWMENTS

The State's donor restricted endowment funds reside primarily within the higher education institutions. The funds are pooled at the individual member institution level, unless required to be separately invested by the donor. There is no state law that governs endowment spending; rather, for University System of Georgia member institution controlled, donor-restricted endowments, where the donor has not provided specific instructions, the Board of Regents permits the individual member institution to develop policies for authorizing and spending realized and unrealized endowment income and appreciation as they determined to be prudent. Current year net appreciation for the endowment accounts was \$2.3 million and is reflected as restricted net position.

Additionally, certain higher education foundations utilize FASB standards.

Changes in the endowment net position for the year ended June 30, 2016, are as follows:

Component Units (amount in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, July 1	\$ 290,848	\$ 945,615	\$ 1,285,037	\$ 2,521,501
Contributions	12,977	17,386	79,699	110,062
Net realized and unrealized gains	(12,778)	(47,884)	1,881	(58,781)
Appropriation of endowment assets for expenditure	(14,607)	(85,346)	(4,201)	(104,154)
Transfers to comply with donor intent	22	(779)	532	(225)
Other	-	52	(1,468)	(1,416)
Endowment net position, June 30	\$ 276,461	\$ 829,045	\$ 1,361,480	\$ 2,466,986



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 13 – SERVICE CONCESSION ARRANGEMENTS

#### A. Primary Government

##### **Board of Regents of the University System of Georgia**

During fiscal year ended June 30, 2015, the Board of Regents of the University System of Georgia (BOR) entered into a Service Concession Arrangement (SCA) with Corvias Campus Living-USG,LLC (Corvias), whereby Corvias, manages, maintains and operates certain existing student housing resources on the campuses of nine institutions: Abraham Baldwin Agricultural College; Armstrong State University; Augusta University; College of Coastal Georgia; Columbus State University; Dalton State College; East Georgia State College; Georgia State University; and the University of North Georgia.

Pursuant to the contractual stipulations of this SCA, whereby the BOR and Corvias, are the "parties" participating in this agreement, as of May 14, 2015, the institutions noted above transferred the housing resources covered by this SCA, along with associated capital lease obligations to the University System Office (USO) in fiscal year 2015 through a special item transfer. In accordance with the SCA, in May 2015, Corvias, provided \$311.6 million to the BOR to retire the capital lease obligations transferred to the USO. These lease obligations were subsequently retired using the funds provided. The housing assets are reported in *Note 9 – Capital Assets* in the Building and Building Improvements category. The \$311.6 million received from Corvias, was reported as a deferred inflow of resources in fiscal year 2015. The SCA is for 65 years (780 months) to end in June 2080. The USO amortized \$0.4 million of this deferred inflow in June 2015, and \$4.8 million in June 2016, leaving a remaining deferred inflow of resources balance of \$306.4 million at June 30, 2016.

In addition to the existing student housing arrangement, Corvias designs and constructs authorized new housing projects that, once constructed, will be similarly managed, maintained and operated on seven of the nine campuses with existing student housing resources. Two of these projects were completed within fiscal year 2016 and their fair market values were capitalized increasing capital assets by \$10.7 million for the College of Coastal Georgia student housing project and by \$12.0 million for the student housing project on the East Georgia State College campus. These additions are reported in *Note 9 – Capital Assets* in the Building and Building Improvements category. A deferred inflow of resources was recorded as the offset to the capital asset additions. The deferred inflow associated with these new projects is being amortized over the remaining life of the SCA. As of June 30, 2016, \$13.9 thousand of the deferred inflows related to these two projects was amortized, leaving a remaining deferred inflow of resources balance of \$22.6 million.

Also part of this SCA, and beginning in fiscal year 2016, the USO received \$8.0 million in ground rent and \$0.5 million in Supplemental Capital Repair and Replacement funds each year for the next 10 years, with each amount escalating by 3% annually. The USO recorded accounts receivable and deferred inflow of resources in the amount of \$73.2 million representing the present value of this revenue stream based on the agreement terms and will amortize the deferred inflows over a 10 year period. For the year ended June 30, 2016, the USO amortized \$8.1 million and recognized \$0.4 million in associated interest income, leaving a deferred inflow balance of \$65.2 million as of June 30, 2016.

The USO also receives Retained Services funds each year as a percentage of gross revenues for that year.

The USO has no reportable future obligation for these services.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 13 – SERVICE CONCESSION ARRANGEMENTS (continued)

#### Georgia Gwinnett College:

At June 30, 2016, Georgia Gwinnett College (GGC) was a participant in one SCA.

On May 13, 2014, GGC entered into an agreement with Aramark Education Services, LLC (Aramark), whereby Aramark will operate food services operations from service participants. Aramark is required to operate the food service facilities in accordance with the contractual agreement. The contract includes a period fixed fee (“Annual Fixed Fee”) payable to Aramark in the amount of \$6.0 million per operating year. In the event that the amount paid to or retained by Aramark is less than the Annual Fixed Fee of \$6.0 million, then the College shall remit the amount equivalent to the difference of the Annual Fixed Fee minus Actual Operating Retainage. In the event that the actual operation year retainage is greater than 199.9% (upper threshold amount) of the Annual Fixed Fee, then Aramark shall remit the difference of the Annual Fixed Fee minus the upper threshold amount to GGC. Any amount above the Annual Fixed Fee but less than the upper threshold amount is retained by Aramark. GGC and Aramark will review the Annual Fixed Fee prior to the commencement of each operating year and a revised Annual Fixed Fee shall be set forth in a written supplemental contract. In addition, GGC shall pay to Aramark (or Aramark shall retain) 88% of net receipts on all categories of sales from Aramark’s operations. The agreement is renewable each year for 10 years.

Under the terms of the contract, Aramark committed a lump sum upfront payment of \$0.4 million. In addition, GGC will receive three yearly installment payments of \$0.5 million from Aramark, the first payment was received in fiscal year 2015 and the second payment was received in fiscal year 2016. Amortized revenue recorded to date is \$0.2 million.

Under terms of the agreement, Aramark committed \$5.3 million in dining facility renovations. Construction renovations completed to date is \$2.9 million, of which \$2.6 million was recorded as a deferred inflow of resources.

For Fiscal Year 2016, GGC reported a remaining deferred inflow of resources of \$6.6 million.

#### Kennesaw State University

At June 30, 2016, Kennesaw State University (KSU) was a participant in three SCAs.

1. In August 2001, KSU entered into an agreement with Kennesaw State Foundation, Inc. (KSUF) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the residence hall (“University Place”) in accordance with a contractual agreement between the two parties. Under the terms of the agreement, the University received no funds upfront from KSUF, but will take full ownership of the residence hall at the end of the operating agreement in June 2031.
2. In August 2003, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing (“University Village”) in accordance with a contractual agreement between the parties. Under the terms of the agreement, the University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2034.
3. In August 2007, KSU entered into an agreement with KSUF whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the housing (“University Suites”) in accordance with a contractual agreement between the parties. Under the terms of the agreement,



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 13 – SERVICE CONCESSION ARRANGEMENTS (continued)

the University received no funds upfront from KSUF, but will take full ownership of the housing at the end of the operating agreement in June 2037.

At June 30, 2016, KSU reports the three housing residences as capital assets with a net carrying value of \$67.1 million. For fiscal year 2016, the University reported a remaining deferred inflow of resources of \$67.1 million and amortized revenue of \$3.6 million. As part of the contractual agreement, KSUF is responsible for insuring each of the three residence halls and for providing maintenance services. KSU has no reportable future obligation for these services.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 14 – DEFERRED INFLOWS AND OUTFLOWS

Deferred Outflows and Inflows of Resources reported on the Statement of Net Position as of June 30, 2016, consisted of the following (amount in thousands):

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Deferred Outflows of Resources</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ -	\$ 6,951	\$ 6,951	\$ 9,470
Deferred Amount on Refundings of Bonded Debt	170,716	24,201	194,917	64,295
Deferred Outflows Relating to Pensions:				
Difference between expected and actual experience	390	-	390	4,380
Change of assumptions	65,013	-	65,013	5,718
Net difference between projected and actual earnings on pension plan investments	1,480	5,015	6,495	14,430
Change in proportion	79,724	98,428	178,152	4,680
State contribution subsequent to the measurement date	591,975	288,356	880,331	36,672
<b>Total Deferred Outflows of Resources</b>	<b>\$ 909,298</b>	<b>\$ 422,951</b>	<b>\$ 1,332,249</b>	<b>\$ 139,645</b>
<b>Deferred Inflows of Resources</b>				
Accumulated Increase in Fair Value of Hedging Derivatives	\$ -	\$ 6,951	\$ 6,951	\$ -
Deferred Amount on Refundings of Bonded Debt	-	25,735	25,735	-
Deferred Service Concession Arrangement Receipts	-	467,858	467,858	-
Deferred Inflows Relating to Pensions:				
Difference between expected and actual experience	52,185	23,633	75,818	2,227
Net difference between projected and actual earnings on pension plan investments	321,106	226,038	547,144	16,132
Change in proportion	87,616	49,453	137,069	9,033
Other	-	-	-	-
Unavailable Revenue	14,130	26,846	40,976	8,221
<b>Total Deferred Inflows of Resources</b>	<b>\$ 475,037</b>	<b>\$ 826,514</b>	<b>\$ 1,301,551</b>	<b>\$ 35,613</b>

Of the \$909.3 million of deferred outflows of resources reported in the governmental activities, \$738.6 million represent deferred outflows relating to pensions, of which \$8.6 million are reported in the internal service funds. The remaining \$170.7 million represent deferred amounts on refundings of bonded debt.

Of the \$475.0 million of deferred inflows of resources reported in the governmental activities, \$460.9 million represent deferred inflows relating to pensions, of which \$6.2 million are reported in the internal service funds. The remaining \$14.1 million in unavailable revenue represent grant funds received before the period when those resources are permitted to be used.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 14 – DEFERRED INFLOWS AND OUTFLOWS (continued)

Of the \$423.0 million of deferred outflows reported in the business-type activities, \$391.8 million represent deferred outflows relating to pensions and \$24.2 million represent deferred amounts on refundings of bonded debt.

Of the \$826.5 million of deferred inflows of resources reported in the business-type activities, \$299.1 million represent deferred inflows relating to pensions, \$467.9 million represent deferred service concession arrangement receipts described in *Note 13 - Service Concession Arrangements*, \$25.7 million represent deferred amounts on refundings of bonded debt and \$26.8 million in unavailable revenue represent grant funds received before the period when those resources are permitted to be used.

Of the \$139.6 million of deferred outflows of resources reported in the component units, \$65.9 million represent deferred outflows relating to pensions and \$64.3 million represent deferred amounts on refundings of bonded debt.

Of the \$35.6 million of deferred inflows of resources reported in the component units, \$27.4 million represent deferred inflows relating to pensions and \$8.2 million in unavailable revenue represent grants funds received before the period when those resources are permitted to be used.

Under the modified accrual basis of accounting, governmental funds reported \$1.9 billion in unavailable revenue as deferred inflows of resources, which consisted primarily of taxes and interest received more than 30 days after close of the current fiscal year.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS

The State administers various retirement plans. Two of the major retirement systems are: The Employees' Retirement System (the System) and Teachers Retirement System (TRS). The State also administers retirement plans for the State's peace officers and firefighters. Those plans are the Peace Officers' Annuity and Benefit Fund of Georgia (Peace Officers') and the Georgia Firefighters' Pension Fund (Firefighters'). The State is the plan sponsor (Plan) of these plans and in many cases the participating employer (Employer). The notes to the financial statements and required supplementary information that follow are presented from the perspective of the State as Plan sponsor and the State as Employer. In addition, the State is the only entity with a statutory requirement to contribute on behalf of the employer directly to many of these Plans creating a situation defined as a Nonemployer Contributing Entity in a Special Funding Situation (SFS).

Each of these systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained by visiting the following websites:

Employees' Retirement System:	<a href="http://www.ers.ga.gov">www.ers.ga.gov</a>
Teachers Retirement System:	<a href="http://www.trsga.com">www.trsga.com</a>
Peace Officers' Annuity and Benefit Fund of Georgia:	<a href="http://www.poab.georgia.gov">www.poab.georgia.gov</a>
Georgia Firefighters' Pension Fund:	<a href="http://www.gfpf.org">www.gfpf.org</a>

In addition, the State administers the Regents Retirement Plan, which is an optional retirement plan for certain university employees.

The State's significant retirement plans are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

#### *A. Summary of Significant Accounting Policies*

##### **Basis of Accounting**

Retirement plan financial statements are prepared on the accrual basis of accounting, except for the collection of fines and forfeitures which are recognized when collected from the courts and insurance company premium taxes which are recognized annually, upon receipt. Contributions from the employers and members are recognized as additions when due, pursuant to formal commitments, as well as statutory or contractual requirements. Retirement benefits and refund payments are recognized as deductions when due and payable. The retirement plan's fiduciary net positions have been determined on the same basis as they are reported by the various plans.

##### **Investments**

Investments are reported at fair value and net asset value (NAV) as a practical expedient to fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. No investment in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, represents 5% or more of the net position restricted for pension benefits.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

For the fiscal year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the System, which includes the Employees’ Retirement System (ERS), the Public School Employees Retirement System (PSERS), and the Georgia Judicial Retirement System (GJRS), is represented below, along with the TRS, Peace Officers’, and Firefighters’ plans.

<u>Pension Plans</u>	<u>Net Annual Money-Weighted Rate</u>
ERS/PSERS/GJRS	(7.23)
Teacher's Retirement System	(2.92)
Peace Officers'	0.08%
Firefighters'	0.96%

For all plans mentioned above, the money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ERS, PSERS, GJRS, TRS, Peace Officers’ and Firefighters’ have investment policies regarding the allocation of invested assets.

The ERS, PSERS, GJRS, and TRS policies are established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through each pension plan.

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

Firefighters’ policy in regard to the allocation of invested assets is established and may be amended by the fund’s Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The following table summarizes the adopted asset allocation policy by plan at June 30, 2016:

<u>Asset Class</u>	<u>ERS</u>	<u>PSERS</u>	<u>GJRS</u>	<u>TRS</u>	<u>Peace Officers'</u>	<u>Firefighters'</u>
Fixed Income	25% - 45%	25% - 45%	25% - 45%	25% - 45%	20% - 40%	16% - 53%
Equities	55% - 75%	55% - 75%	55% - 75%	55% - 75%	30% - 75%	25.5% - 75.5%
Alternative Investments	0% - 5%	0% - 5%	0% - 5%	-	-	-
Cash and Cash Equivalents	-	-	-	-	0% - 10%	-
Other	-	-	-	-	-	5% - 25%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

#### *B. Defined Benefit Plans*

##### Plan Descriptions and Funding Policy

##### **Employees' Retirement System of Georgia**

The System is comprised of individual retirement systems and plans covering substantially all employees of the State except for teachers and other employees covered by TRS, Peace Officers', and Firefighters' funds. The System is administrated by a Board of Trustees that is comprised of active and retired members, ex-officio state employees, and appointees by the Governor.

##### *Employees' Retirement System*

**Plan Description:** One of the plans within the System, also titled Employees' Retirement System, is a cost-sharing multiple-employer defined benefit pension plan that was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. ERS acts pursuant to statutory direction and guidelines, which may be amended prospectively for new hires but for existing members and beneficiaries may be amended in some aspects only subject to potential application of certain constitutional restraints against impairment of contract.

**Benefits Provided:** The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon State employment that started prior to July 1, 1982, is an "old plan" member subject to the 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 the modified plan provisions. Effective January 1, 2009, newly hired State employees, as well as rehired State employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component described below. ERS members hired prior to January 1, 2009, also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, 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 a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, the applicable benefit factor, and the member's age at retirement. Postretirement cost-of-living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

**Contributions:** Member contribution rates are set by law. 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



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

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 State is required to contribute at a specified percentage of active member payroll established by the Board of Trustees and determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. These State contributions are not at any time refundable to the member or his/her beneficiary.

Employer and nonemployer contributions required, as a percentage of covered payroll, for fiscal year 2016 were based on the June 30, 2013 actuarial valuation as follows:

<u>Plan Segment</u>	<u>Contribution Rate 2016</u>
Old Plan*	24.72%
New Plan	24.72%
GSEPS	21.69%

\* 4.75% of which was paid by the State on behalf of old plan members.

The State makes contributions to ERS on behalf of certain non-State employers as follows: Pursuant to The Official Code of Georgia Annotated (O.C.G.A) 47-2-292(a) the Department of Revenue receives an annual appropriation from the Georgia General Assembly to be used to fund the employer contributions for local county tax commissioners and employees. Pursuant to O.C.G.A. 47-2-290(a) the Council of State Courts (CSC) and the Prosecuting Attorneys' Council (PAC) receive annual appropriations from the Georgia General Assembly for employer contributions of local employees in State Courts in Bibb, Chatham and DeKalb counties.

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.

#### ***Public School Employees Retirement System***

***Plan Description:*** The Public School Employees Retirement System is also a plan within the System. PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS.

***Benefits Provided:*** A member may retire and elect to receive normal monthly retirement benefits after completion of 10 years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of 10 years of service. Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

**Contributions:** Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year.

The State makes contributions to PSERS on behalf of certain non-State employers as follows: Pursuant to O.C.G.A. §47-4-29(a) and 60(b), the Georgia General Assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer. 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.

Nonemployer contributions required for the year ended June 30, 2016 were \$764.97 per active member and were based on the June 30, 2013, actuarial valuation.

Members become vested after 10 years of creditable 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 contribution, the member forfeits all rights to retirement benefits.

#### ***Georgia Judicial Retirement System***

**Plan Description:** The Georgia Judicial Retirement System is also a plan within the System. GJRS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly for the purpose of providing retirement allowances for judges and solicitors generals of the state courts and juvenile court judges in Georgia, and their survivors and other beneficiaries, superior court judges of the state of Georgia, and district attorneys of the state of Georgia. The ERS Board of Trustees and three additional trustees administer GJRS.

GJRS was also created to serve the members and beneficiaries of the Trial Judges and Solicitors Retirement fund, the Superior Court Judges Retirement System, and the District Attorneys Retirement System (collectively, the Predecessor Retirement Systems). As of June 30, 1998, any person who was an active, inactive, or retired member or beneficiary of the Predecessor Retirement Systems was transferred to GJRS in the same status effective July 1, 1998. All assets of the Predecessor Retirement Systems were transferred to GJRS as of July 1, 1998.

**Benefits Provided:** The normal retirement for GJRS is age 60, with 16 years of creditable service; however, a member may retire at age 60 with a minimum of 10 years of creditable service.

Annual retirement benefits paid to members are computed as 66 $\frac{2}{3}$ % of State paid salary at retirement for district attorneys and superior court judges and 66 $\frac{2}{3}$ % of the average over 24 consecutive months for trial judges and solicitors, plus 1% for each year of creditable service over 16 years, not to exceed 24 years. Early retirement benefits paid to members are computed as the pro rata portion of the normal retirement benefit, based on service not to exceed 16 years. Death, disability, and spousal benefits are also available.

**Contributions:** Members are required to contribute 7.5% of their annual salary. Those who became members prior to July 1, 2012 must also contribute an additional 2.5% of their annual salary if spousal benefit is elected. Employer contributions are actuarially determined and approved and certified by the GJRS Board of Trustees.

The State makes contributions to GJRS on behalf of certain non-State employers as follows: Pursuant to O.C.G.A. 47-23-81 the employer contributions for state court judges and solicitors are funded by the State of Georgia on



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

behalf of the local county employers and pursuant to O.C.G.A. 47-23-82 the employer contributions for juvenile court judges are funded by the State on behalf of local county employers.

Employer and nonemployer contributions required for year ended June 30, 2016 were 12.19% of contributions and were based on the June 30, 2013 actuarial valuation.

Members become vested after 10 years of creditable 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 contribution, the member forfeits all rights to retirement benefits.

#### Teachers Retirement System of Georgia

**Plan Description:** TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of two appointees by the Board, two ex-officio State employees, five appointees by the Governor, and one appointee of the Board of Regents is ultimately responsible for the administration of TRS. All teachers in the state public schools, the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and certain other designated employees in educational-related work are eligible for membership.

**Benefits Provided:** TRS provides service retirement, disability retirement, and survivor's benefits. Title 47 of the O.C.G.A. assigns the authority to establish and amend the provisions of TRS to the State Legislature. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, may be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death. Death, disability, and spousal benefits are also available.

**Contributions:** TRS is funded by member, employer and nonemployer contributing entity (Nonemployer) contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation.

The State makes contributions to TRS on behalf of certain non-State employers as follows: Pursuant to O.C.G.A. 47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employers by the State of Georgia.

Member contributions as adopted by the Board of Trustees for fiscal year 2016 were 6% of annual salary. Employer contributions required for fiscal year 2016 were 14.27% of annual salary as required by the June 30, 2013, actuarial valuation.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

#### Peace Officers' Annuity and Benefit Fund of Georgia

**Plan Description:** The Peace Officers' Annuity and Benefit Fund of Georgia is a cost-sharing multiple-employer defined benefit pension plan established in 1950 by the General Assembly of Georgia for the purpose of paying retirement benefits to peace officers of the State of Georgia. The Board of Commissioners of the Peace Officers' fund is comprised of six members and consists of the Governor or his designee, an appointee of the Governor other than the Attorney General, the Commissioner of Insurance or his designee and three active or retired peace officers appointed by the Governor in accordance with O.C.G.A. 47-17-20.

Individuals eligible to apply for membership in the Peace Officers' fund are defined in the O.C.G.A. 47-17-1 and generally include: any individual employed by the State of Georgia or any municipality, county, or other political subdivision thereof for the preservation of public order, the protection of life and property or the detection of crime; wardens and correction officers of correctional institutions; full-time parole officers; other individuals employed full-time for the purpose of law enforcement; and full-time employees of the Peace Officers' fund.

**Benefits Provided:** The Peace Officers' fund provides retirement as well as disability and death benefits. Title 47 of the O.C.G.A. assigns the authority to establish and amend the provisions of the Peace Officers' fund to the State Assembly. A member is eligible to receive retirement benefits with 30 years of service, regardless of age. A member is also eligible to receive retirement benefits at age 55 with 10 years of service; however, members joining on or after July 1, 2010, must have 15 years of service to be eligible for benefits. A member must have terminated his or her active employment as a peace officer to receive benefits.

The monthly benefit is a single life annuity payable in monthly payments for the life of the member only. The monthly payment amount at June 30, 2016, was \$24.41 per month (plus 1/12 of this amount for each month of any partial year) for each full year of creditable service up to a maximum of 30 years of total service. The Board of Commissioners is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1.5% of the maximum monthly retirement benefit then in effect. Members may elect, as an alternate to the benefit described above, to receive a 100% joint life annuity payable during the life of the member or the member's spouse, or a contingency life annuity with a 50% monthly payment to the surviving spouse. The amount of the benefit for these options is an actuarially reduced portion of the single life annuity benefit described above.

At any time before a member begins drawing retirement benefits, the member may request a refund of 95% of all member contributions paid into the Peace Officers' fund during creditable service. No interest is paid on these withdrawals.

**Contributions:** The Peace Officers' fund is funded by member and nonemployer contributing entity (Nonemployer) contributions. Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

**Member Contributions:** Member contribution requirements are set forth in O.C.G.A. 47-17-44 and are not actuarially determined. Each member must contribute \$20 per month, to be paid no later than the tenth day of each month.

**Nonemployer Contributions:** Pursuant to O.C.G.A. 47-14-60, the State makes contributions to the Peace Officers' fund on behalf of non-State employers through the collection of court fines and forfeitures.

The fines and forfeitures are considered employer contributions for the purpose of determining whether the Peace Officers' fund has met minimum funding requirements specified in O.C.G.A. 47-20-10. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

exceed legislative requirements. The actuarial valuation as of June 30, 2016, calculated the minimum employer contribution for the fiscal year ended June 30, 2016, as \$18.1 million. The fines and forfeitures revenue of \$14.7 million for the fiscal year ended June 30, 2016, did not meet the minimum required fund contribution.

Administrative expenses are generally funded from current member and court fine and forfeiture contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

#### Georgia Firefighters' Pension Fund

**Plan Description:** The Georgia Firefighters' Pension fund is a cost-sharing multiple-employer defined benefit pension plan established in 1955 by the General Assembly of Georgia for the purpose of paying retirement benefits to firefighters of the State of Georgia. The Board of Trustees of the pension fund is comprised of five members and consists of the Governor or his designee, the Commissioner of Insurance or his designee, two active members of the pension fund appointed by the Governor and one retired beneficiary of the pension fund appointed by the Governor. Any person employed as a firefighter or enrolled as a volunteer firefighter within the State of Georgia or any regular employee of the pension fund is eligible for membership. The pension fund is funded through a combination of member contributions and insurance premiums tax collected and remitted by insurers directly to the pension fund in accordance with O.C.G.A. 47-7-61. Every fire insurance company, corporation or association doing business within the State of Georgia must pay to the executive director of the pension fund 1% of the gross premiums written by such insurance company, corporation, or association for fire, lightning, or extended coverage, inland marine or allied lines, or windstorm insurance policies covering property within the State.

**Benefits Provided:** The Firefighters' fund provides retirement as well as disability and death benefits. Benefit provisions and vesting requirements are established by statute and may be amended only by the General Assembly of Georgia. A member shall be eligible to receive retirement benefits at age 55 provided the member has 25 years of service. A member may be eligible to receive a pro rata share of benefits, at the latter of age 55 or at the member's termination as a firefighter or volunteer firefighter, after at least 15 years of service (amount received to be the maximum benefit amount times a ratio of years of service to 25 years). At age 50, a member may elect to receive a percentage of benefits to which the member would have been eligible to receive at age 55. Members may receive benefits and continue service as a volunteer firefighter as long as they receive no form of compensation for their volunteer department activity.

The maximum retirement benefit at June 30, 2016 is \$882 per month for the life of the member. The Board of Trustees is authorized to provide for ad hoc cost-of-living adjustments (COLAs) effective as of January 1 and July 1 of each year up to 1½ % of the maximum retirement benefit then in effect. Members retiring after July 1, 1984 with service in excess of 25 years are entitled to an additional 1% of the maximum benefit in effect at the time of retirement for each additional full year of service. Members retiring after July 1, 2002 with service in excess of 25 years are entitled to an additional 2% of the maximum benefit in effect at the time of retirement for each additional full year of service.

Members may elect, as an alternate to the benefit described above, to receive either an actuarially reduced benefit payable during the joint lifetime of the member and the member's spouse, continuing after the death of the member during the lifetime of the spouse or a 10 years' certain and life option where an actuarially reduced benefit is received during the member's lifetime and, in the event of the member's death within 10 years of retirement, the same monthly benefits shall be payable to the member's selected beneficiary for the balance of the 10 year period.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

In the event a member terminates prior to receiving retirement benefits, 95% of the member's contribution will be returned. No interest is paid upon amounts so withdrawn.

**Contributions:** The Firefighters' fund is funded by members and insurance premium tax contributions. The insurance premium tax contributions are considered to be the annual employer contribution amount. Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

**Member Contributions:** Each member must contribute \$25 per month, to be paid no later than the 10th day of each month. In 2016, member contributions were \$4.0 million.

**Nonemployer Contributions:** Pursuant to O.C.G.A. 47-7-61, the State makes contributions to the Firefighters' fund on behalf of non-State employers as follows: Nonemployer contributing entity contributions consist of contributions from fire insurance companies, corporations or associations doing business within the State of Georgia. These contributions must be paid to the executive director of the Firefighters' fund and are comprised of 1% of the gross premiums, written by such insurance companies, corporations, or associations for fire, lightning, or extended coverage, inland marine or allied lines, or windstorm insurance policies covering property within the State of Georgia.

In accordance with O.C.G.A. 47-20-10, the insurance premiums tax are considered employer contributions for the purpose of determining whether the Pension Fund has met minimum funding requirements. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of July 1, 2016, calculated the minimum employer contribution for the fiscal year ended June 30, 2016, as \$28.0 million. The insurance premium tax revenue of \$32.7 million for the fiscal year ended June 30, 2016, meets the minimum required fund contribution.

Administrative expenses are generally funded from current member and insurance premium tax contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

### Plan Membership and Participating Employers

The following table summarized the participating membership and participating employers at June 30, 2016:

Plan Membership	Participating Membership by Plan June 30, 2016					
	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Inactive plan members or beneficiaries currently receiving benefits	48,449	17,626	295	117,918	5,515	5,070
Inactive plan members entitled to but not yet receiving benefits	57,995	50,672	61	11,251	1,261	298
Inactive plan members not entitled to benefits	-	-	-	85,787	-	2,282
Active plan members	59,766	34,874	526	218,215	12,938	13,279
Total	166,210	103,172	882	433,171	19,714	20,929
<b>Number of Employers</b>	425	182	93	306	609	436

These counts treat each legal entity in the State reporting entity as one employer.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

#### Net Pension Liability/(Asset) of Participating Employers and Nonemployer Contributing Entities

The following schedule is presented from the perspective of the State as the sponsor of the various Plans and summarizes the components of the Net Pension Liability (NPL)/ Net Pension Asset (NPA) of the participating employers and nonemployer contributing entities, as of June 30, 2016, by Plan (amount in thousands):

<b>Components of the Net Pension Liability/(Asset)</b>	<b>ERS</b>	<b>PSEERS</b>	<b>GJRS</b>	<b>TRS</b>	<b>Peace Officers'</b>	<b>Firefighters'</b>
Total Pension Liability	\$ 17,103,987	\$ 992,292	\$ 368,669	\$ 86,183,526	\$ 747,458	\$ 970,156
Plan Fiduciary Net Position	12,373,567	803,775	403,011	65,552,411	689,021	766,677
Employers' and non-employer contributing entity's net pension liability/(asset)	<u>\$ 4,730,420</u>	<u>\$ 188,517</u>	<u>\$ (34,342)</u>	<u>\$ 20,631,115</u>	<u>\$ 58,437</u>	<u>\$ 203,479</u>
Plan fiduciary net position as a percentage of the total pension liability	72.34%	81.00%	109.32%	76.06%	92.18%	79.03%





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

#### Actuarial Valuation Date

The total pension liability at June 30, 2016 is based upon the June 30, 2015 actuarial valuation for ERS, PSERS, GJRS, TRS, Peace Officers' and June 30, 2016 for Firefighters', using generally accepted actuarial procedures/techniques.

#### Actuarial Assumptions

The total pension liability for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement:

	Actuarial Assumptions					
	Valuation date	Inflation	Salary increases	Investment rate of return <sup>1</sup>	Mortality	Actuarial experience study
<b>ERS</b>	6/30/2015	2.75%	3.25-7.00%	7.50%	Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table for future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward two years for both males and females) for service retirements and dependents beneficiaries. The RP-2000 Disabled Table with future mortality improvement projected to 2025 was set back seven years for males and set forward three years for females for the period after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB.	7/1/2009 - 6/30/2014
<b>PSERS</b>	6/30/2015	2.75%	N/A	7.50%	RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB set forward for three years for males and two years for females for the periods after service retirement and dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB set forward five years for both males and females for the period after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.	7/1/2009 - 6/30/2014
<b>GJRS</b>	6/30/2015	2.75%	4.75%	7.50%	Mortality rates were based in the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for both males and females for the period after retirement and for dependent beneficiaries. For the period after disability retirement, the RP-2000 Disability Mortality Table projected to 2025 with projection scale BB and set back seven years for males and set forward three years for females is used. Rates for mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB.	7/1/2009 - 6/30/2014
<b>TRS</b>	6/30/2015	2.75%	3.25% - 9.00%*	7.50%	Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table for future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependents beneficiaries. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB.	7/1/2009 - 6/30/2014
<b>Peace Officers'</b>	6/30/2015	3.00%	N/A	7.00%	RP 2014 Healthy Mortality Table with blue collar adjustment and generational mortality projection using Scale MP 2014 for healthy lives and the RP 2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP 2014 for disabled lives.	N/A
<b>Firefighters'</b>	6/30/2016	2.75%	N/A	6.00%	Mortality rates for pre-retirement were based on the RP-2000 Employee Mortality Table projected to 2025 with Projection Scale BB. Mortality rates for post-retirement and for dependent beneficiaries were based on the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB set forward one year for males and set forward four years for females. For current disability retirees, mortality rates are based on the RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB set forward five years for males and set forward three years for females, however there are no longer any disability benefits in the plan.	7/1/2009 - 6/30/2015

<sup>1</sup>Investment rate of return is net of pension plan investment expense, including inflation.

\*Includes an inflation assumption of 2.75%



Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

NOTE 15 – RETIREMENT SYSTEMS (continued)

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using either a log-normal distribution analysis, a building-block method or a Monte Carlo simulation 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized by plan in the table below:

Asset Class	Target Allocation*											
	ERS		PSERS		GJRS		TRS		Peace Officers'		Firefighters'	
	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*
Investment Grade Corporate Credit	-	-	-	-	-	-	-	-	-	-	12.0%	2.44%
Mortgage Backed Securities	-	-	-	-	-	-	-	-	-	-	12.0%	0.95%
Fixed Income	30.0%	-0.5%	30.0%	-0.5%	30.0%	-0.5%	30.0%	-0.5%	-	-	-	-
Fixed Income - Domestic	-	-	-	-	-	-	-	-	20.0%	2.7%	-	-
Fixed Income - International	-	-	-	-	-	-	-	-	5.0%	4.0%	-	-
Core Bonds	-	-	-	-	-	-	-	-	-	-	10.5%	1.17%
Domestic large equities	37.2%	9.0%	37.2%	9.0%	37.2%	9.0%	39.8%	9.0%	35.0%	7.5%	15.5%	5.92%
Domestic mid equities	3.4%	12.0%	3.4%	12.0%	3.4%	12.0%	3.7%	12.0%	8.0%	8.4%	-	-
Domestic small equities	1.4%	13.5%	1.4%	13.5%	1.4%	13.5%	1.5%	13.5%	7.0%	8.6%	-	-
Global equities	-	-	-	-	-	-	-	-	10.0%	8.2%	-	-
Small/mid cap equities	-	-	-	-	-	-	-	-	-	-	15.5%	6.71%
International developed market equities	17.8%	8.0%	17.8%	8.0%	17.8%	8.0%	19.4%	8.0%	-	-	13.0%	6.95%
International emerging market equities	5.2%	12.0%	5.2%	12.0%	5.2%	12.0%	5.6%	12.0%	-	-	6.5%	9.49%
International equity funds	-	-	-	-	-	-	-	-	10.0%	8.8%	-	-
Private equity	-	-	-	-	-	-	-	-	-	-	5.0%	8.73%
Real estate	-	-	-	-	-	-	-	-	-	-	5.0%	4.62%
Real Assets (liquid)	-	-	-	-	-	-	-	-	-	-	5.0%	4.84%
Commodities	-	-	-	-	-	-	-	-	5.0%	6.4%	-	-
Alternatives	5%	10.50%	5%	10.50%	5%	10.50%	-	-	-	-	-	-
Total	100%		100%		100%		100%		100%		100%	

\* Rates shown are net of the 2.75% assumed rate of inflation with the exception of Peace Officers', which assumed a 2.50% rate of inflation.

**Discount Rate**

The discount rate used for ERS, PSERS, GJRS, and TRS to measure the total pension liability was 7.50%. The projection of cash flows used by each plan to determine the discount rate was assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each 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.

The discount rate used to measure the total pension liability for the Peace Officers' plan was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the 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.

The discount rate used to measure the total pension liability for the Firefighters' plan was 6.00%. 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 nonemployer contributing entity contributions will remain at the level contributed the previous fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

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 Participating Employers and Nonemployer Contributing Entities NPL to Changes in the Discount Rate**

The following schedule is presented from the perspective of the State as the sponsor of the various Plans and summarizes the NPL of the employer and nonemployer contributing entities. The NPL is calculated using the determined discount rate as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate by the Plan (amount in thousands):

**Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities Net Pension Liability (Asset) to Changes in the Discount Rate**

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
ERS's Net Pension Liability	(6.50%) <u>\$ 6,410,596</u>	(7.50%) <u>\$ 4,730,420</u>	(8.50%) <u>\$ 3,298,576</u>
PSERS's Net Pension Liability	(6.50%) <u>\$ 299,133</u>	(7.50%) <u>\$ 188,517</u>	(8.50%) <u>\$ 95,548</u>
GJRS's Net Pension Liability/(Asset)	(6.50%) <u>\$ 1,701</u>	(7.50%) <u>\$ (34,342)</u>	(8.50%) <u>\$ (65,684)</u>
TRS's Net Pension Liability	(6.50%) <u>\$ 32,112,585</u>	(7.50%) <u>\$ 20,631,115</u>	(8.50%) <u>\$ 11,178,017</u>
Peace Officers' Net Pension Liability/(Asset)	(6.00%) <u>\$ 150,632</u>	(7.00%) <u>\$ 58,437</u>	(8.00%) <u>\$ (18,164)</u>
Firefighters' Net Pension Liability	(5.00%) <u>\$ 335,923</u>	(6.00%) <u>\$ 203,479</u>	(7.00%) <u>\$ 94,347</u>



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

The below section is from the perspective of the State as the employer.

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

The State reported a liability as the Employer for its proportionate share of the NPL associated with the plans listed below. In addition, the State reported a liability for its proportionate share of the NPL as a result of its statutory requirement to contribute to certain plans. These contributions were made by the State as the Nonemployer Contributing Entity in a Special Funding Situation.

The following schedule is presented from the perspective of the State as the Employer and/or nonemployer contributing entity and details the proportional share of the pension amounts for each plan as of June 30, 2016 is as follows (amount in thousands):

**Aggregate Pension Amounts - All Plans**

	<b><u>Primary</u></b> <b><u>Government</u></b>	<b><u>Component</u></b> <b><u>Units</u></b>
Pension liabilities	\$ 6,661,953	\$ 158,918
Pension assets	\$ (90,405)	\$ -
Deferred outflows of resources related to pensions	\$ 1,130,381	\$ 65,880
Deferred inflows of resources related to pensions	\$ 760,031	\$ 27,392
Pension expense/expenditures	\$ 385,583	\$ 18,268

The NPL for each plan was measured as of June 30, 2015. The total pension liability used to calculate the NPL for each plan was based on an actuarial valuation as of June 30, 2014 for ERS, PSERS, GJRS, TRS, and as of June 30, 2015 for Peace Officers' and Firefighters'.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

The information below includes all significant plans and funds administered by the State of Georgia.

#### Actuarial Assumptions

The total pension liability for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement:

	Actuarial Assumptions					
	Valuation date	Inflation	Salary increases	Investment rate of return <sup>1</sup>	Mortality	Actuarial experience study
ERS	6/30/2014	3.00%	5.45% - 9.25%*	7.50%	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 11 years for males for the period after disability retirement.	7/1/2004 - 6/30/2009
PSERS	6/30/2014	3.00%	N/A	7.50%	RP-2000 Combined Mortality Table set forward for one year for males for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.	7/1/2004 - 6/30/2009
GJRS	6/30/2014	3.00%	6.00%*	7.50%	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 11 years for males for the period after disability retirement.	7/1/2004 - 6/30/2009
TRS	6/30/2014	3.00%	3.75-7%*	7.50%	RP-2000 Combined Mortality Table for males or females, set back two years for males and set back three years for females.	7/1/2004 - 6/30/2009
Peace Officers <sup>1</sup>	6/30/2015	3.00%	N/A	7.00%	RP-2014 Healthy Mortality Table with blue collar adjustment on a fully generational mortality basis using Scale MP 2014 for healthy lives and the RP 2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP 2014 for disabled lives.	N/A
Firefighters <sup>1</sup>	6/30/2015	2.75%	N/A	6.00%	Mortality rates for pre-retirement were based on the RP-2000 Employee Mortality Table projected to 2025 with Projection Scale BB. Mortality rates for post-retirement were based on the RP-2000 blue collar mortality table projected to 2025 with projection scale BB. Post- disability mortality were based on the RP-2000 disabled mortality table projected to 2025 with projection scale BB.	7/1/2009 - 6/30/2015

<sup>1</sup>Investment rate of return is net of pension plan investment expense, including inflation.

\*Includes an inflation assumption of 3.00%

An expected total pension liability as of June 30, 2015 for each plan was determined using standard roll-forward techniques. The State's proportion of the NPL was based on contributions to each plan during the fiscal year ended June 30, 2015.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

*Employees’ Retirement System*

Primary Government

At June 30, 2015, the State’s proportion for the ERS plan as employer was 87.682412%, which was an increase of 0.415578% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the State recognized pension expense of \$212.5 million. The State’s portion of the net pension liability was based on the State’s proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30, 2015, the State’s proportion was 2.225584% for certain Local County Tax Commissioners and the CSC and PAC employees in Bibb, Chatham and DeKalb counties. For the year ended June 30, 2016, the State recognized expense of (\$20.3) million.

Component Units

At June 30, 2015, the State’s proportion for the ERS plan as Employer was 1.557127%, which was an increase of 0.013222% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the State recognized pension expense of \$5.2 million. The State’s portion of the net pension liability was based on the State’s proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	<u>Primary Government</u>				<u>Component Units</u>	
	<u>State as Employer</u>		<u>State as Nonemployer</u>		<u>State as Employer</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 28,384	\$ -	\$ 720	\$ -	\$ 504
Changes of assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	256,309	-	6,506	-	4,552
Changes in proportion and differences between State contributions and proportionate share of contributions	83,466	61,232	2,025	20,131	2,072	794
State contributions subsequent to the measurement date	505,411	-	12,138	-	9,425	-
Total	<u>\$ 588,877</u>	<u>\$ 345,925</u>	<u>\$ 14,163</u>	<u>\$ 27,357</u>	<u>\$ 11,497</u>	<u>\$ 5,850</u>

Primary Government

State contributions as employer and nonemployer subsequent to the measurement date of \$505.4 million and \$12.1 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

Component Units

State contributions as employer subsequent to the measurement date of \$9.4 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	Primary Government		Component Units
	State as Employer	State as Nonemployer Contributing Entity	State as Employer
2017	\$ (114,809)	\$ (19,758)	\$ (1,209)
2018	(119,826)	(4,868)	(2,073)
2019	(114,242)	(2,900)	(2,029)
2020	86,418	2,194	1,533
2021	-	-	-
Thereafter	-	-	-

***Public School Employees Retirement System***

At June 30, 2015, the State’s proportion as nonemployer contributing entity was 100% for the PSERS plan for certain local school employees (bus drivers, cafeteria workers, and maintenance staff). For the year ended June 30, 2016, the State recognized pension expense of \$7.3 million. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,249
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	17,873
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to the measurement date	28,580	-
Total	\$ 28,580	\$ 21,122



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

State contributions as nonemployer subsequent to the measurement date of \$28.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

<b>Year ended June 30:</b>	
2017	\$(11,235)
2018	(7,986)
2019	(7,985)
2020	6,084
2021	-
Thereafter	-

***Georgia Judicial Retirement System***

At June 30, 2015, the State’s proportion for the GJRS plan as Employer was 58.635878%, which was an increase of 1.278907% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the State recognized pension expense of (\$3.8) million. The State’s portion of the net pension liability was based on the State’s proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30, 2015, the State’s proportion was 41.364122% for certain State court judges and solicitors general and for certain juvenile court judges. For the year ended June 30, 2016, the State recognized expense of (\$2.6) million. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	<b>State as Employer</b>		<b>State as Nonemployer Contributing Entity</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,538	\$ -	\$ 2,496
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,957	-	3,497
Changes in proportion and differences between State contributions and proportionate share of contributions	280	398	696	578
State contributions subsequent to the measurement date	<u>4,134</u>	<u>-</u>	<u>2,902</u>	<u>-</u>
Total	<u>\$ 4,414</u>	<u>\$ 8,893</u>	<u>\$ 3,598</u>	<u>\$ 6,571</u>





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

State contributions as employer and nonemployer subsequent to the measurement date of \$4.1 million and \$2.9 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	State as Employer	State as Nonemployer Contributing Entity
2017	\$ (3,141)	\$ (2,181)
2018	(3,141)	(2,181)
2019	(3,143)	(2,181)
2020	812	668
2021	-	-
Thereafter	-	-

### Teachers Retirement System of Georgia

#### Primary Government

At June 30, 2015, the State's proportion for the TRS plan as Employer was 16.687612%, which was an increase of 0.170138% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the State recognized pension expense of \$176.0 million. The State's portion of the net pension liability was based on the State's proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.

At June 30, 2015, the State's proportion was 0.507036% for certain full-time public school support personnel. For the year ended June 30, 2016, the State recognized expense of \$4.8 million.

#### Component Units

At June 30, 2015, the State's proportion for the TRS plan as Employer was 0.564109%, which was a decrease of -0.026411% from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the State recognized pension expense of \$4.6 million. The State's portion of the net pension liability was based on the State's proportion of the prior year contributions received by the pension plan relative to the contributions for all participants in the plan.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	Primary Government				Component Units	
	State as Employer		State as Nonemployer Contributing Entity		State as Employer	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 22,342	\$ -	\$ 679	\$ -	\$ 754
Changes of assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	214,268	-	6,511	-	7,238
Changes in proportion and differences between State contributions and proportionate share of contributions	86,316	48,772	5,369	5,958	2,608	8,239
State contributions subsequent to the measurement date	<u>261,758</u>	<u>-</u>	<u>7,944</u>	<u>-</u>	<u>8,616</u>	<u>-</u>
Total	<u>\$ 348,074</u>	<u>\$ 285,382</u>	<u>\$ 13,313</u>	<u>\$ 13,148</u>	<u>\$ 11,224</u>	<u>\$ 16,231</u>

Primary Government

State contributions as employer and nonemployer subsequent to the measurement date of \$261.8 million and \$7.9 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017.

Component Units

State contributions as employer subsequent to the measurement date of \$8.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	Primary Government		Component Units
	State as Nonemployer Contributing Entity		State as Employer
	State as Employer	Entity	State as Employer
2017	\$ (95,080)	\$ (3,377)	\$ (4,989)
2018	(95,080)	(3,377)	(4,989)
2019	(95,080)	(3,377)	(4,989)
2020	86,126	2,369	1,556
2021	48	(17)	(212)
Thereafter	-	-	-



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

**Peace Officers’ Annuity and Benefit Fund of Georgia**

At June 30, 2015, the State’s proportion was 100% for the Peace Officers’ plan for local government Peace Officers. For the year ended June 30, 2016, the State recognized expense of \$4.6 million. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	<u><b>Deferred Outflows of Resources</b></u>	<u><b>Deferred Inflows of Resources</b></u>
Differences between expected and actual experience	\$ -	\$ 3,623
Changes of assumptions	13,354	-
Net difference between projected and actual earnings on pension plan investments	-	10,855
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to the measurement date	<u>14,713</u>	<u>-</u>
Total	<u><u>\$ 28,067</u></u>	<u><u>\$ 14,478</u></u>

State contributions subsequent to the measurement date of \$14.7 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

<b>Year ended June 30:</b>	
2017	\$ (4,176)
2018	(4,176)
2019	(4,176)
2020	8,161
2021	1,622
Thereafter	1,621



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 15 – RETIREMENT SYSTEMS (continued)**

**Georgia Firefighters’ Pension Fund**

At June 30, 2015, the State’s proportion was 100% for the Firefighters’ plan for local government Firefighters. For the year ended June 30, 2016, the State recognized expense of \$21.6 million. At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,359
Changes of assumptions	44,941	-
Net difference between projected and actual earnings on pension plan investments	-	11,654
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to the measurement date	<u>32,684</u>	<u>-</u>
Total	<u>\$ 77,625</u>	<u>\$ 21,013</u>

State contributions subsequent to the measurement date of \$32.7 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

<b>Year ended June 30:</b>	
2017	\$ 1,573
2018	1,573
2019	1,573
2020	15,396
2021	3,813
Thereafter	-



Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016

NOTE 15 – RETIREMENT SYSTEMS (continued)

Sensitivity of the State’s proportionate share of the NPL to changes in the discount rate:

The following schedule is presented from the perspective of the State as the employer and nonemployer contributing entity and details the State’s proportionate share of the NPL calculated using the discount rate detailed below, as well as what the State’s proportionate share of the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amount in thousands):

	Sensitivity of the (Employer) Net Pension Liability to Changes in the Discount Rate					
	Primary Government			Component Units		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
ERS's Net Pension Liability	\$ 5,035,603	\$ 3,552,362	\$ 2,287,845	\$ 89,426	\$ 63,085	\$ 40,629
SFS	127,815	90,167	58,071	-	-	-
Total ERS Net Pension Liability	\$ 5,163,418	\$ 3,642,529	\$ 2,345,916	\$ 89,426	\$ 63,085	\$ 40,629
	(6.50%)	(7.50%)	(8.50%)			
PSERS's Net Pension Liability	\$ 226,255	\$ 123,050	\$ 36,107			
	(6.50%)	(7.50%)	(8.50%)			
GJRS's Net Pension (Asset)	\$ (7,429)	\$ (28,011)	\$ (45,907)			
SFS	(5,240)	(19,760)	(32,384)			
Total GJRS's Net Pension (Asset)	\$ (12,669)	\$ (47,771)	\$ (78,291)			
	(6.50%)	(7.50%)	(8.50%)	(6.50%)	(7.50%)	(8.50%)
TRS's Net Pension Liability	\$ 4,365,697	\$ 2,540,211	\$ 1,036,146	\$ 147,578	\$ 85,798	\$ 35,026
SFS	132,648	77,191	31,482	-	-	-
Total TRS's Net Pension Liability	\$ 4,498,345	\$ 2,617,402	\$ 1,067,628	\$ 147,578	\$ 85,798	\$ 35,026
	(6.00%)	(7.00%)	(8.00%)			
Peace Officers' Net Pension Liability/(Asset)	\$ 101,995	\$ 12,295	\$ (62,172)			
	(5.00%)	(6.00%)	(7.00%)			
Firefighters' Net Pension Liability	\$ 284,028	\$ 156,502	\$ 51,544			



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 15 – RETIREMENT SYSTEMS (continued)

#### C. *Defined Contribution Plans*

##### GSEPS 401(k) Component of ERS Plan

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

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 5% of salary unless the participating member elects otherwise. The member may change such level of participation at any time. In addition, the member may make such additional contributions as he or she desires, subject to limitations imposed by federal law. The State will match 100% of the employee's initial 1% contribution and 50% of contribution percents two through five. Therefore, the State will match 3% of salary when an employee contributes at least 5% to the 401(k) plan. Employee contributions greater than 5% of salary do not receive any matching funds.

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

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



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### **NOTE 15 – RETIREMENT SYSTEMS (continued)**

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.

There were 25,300 plan members and 191 participating employers in the plan at June 30, 2016.

In 2016, the State's employer and employee GSEPS contributions were \$16.3 million and \$30.7 million, respectively. Additionally, the State made contributions of \$0.1 million on behalf of employers that are not in the reporting entity. Employer contributions may be partially funded from non-vested contributions that were forfeited by employees.

#### **Regents Retirement Plan**

##### **Plan Description**

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the Georgia General Assembly in Chapter 21 of Title 47 of the O.C.G.A. It is administered and may be amended by the Board of Regents (Proprietary Fund – Higher Education). A participant in the plan is an "eligible university system employee" defined as a faculty member or a principal administrator as designated by the regulations of the Board of Regents. Under the Plan, a plan participant may purchase annuity contracts from three approved vendors (AIG-VALIC, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. The approved vendors have separately issued financial reports that may be obtained through their respective corporate offices.

Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

The University System of Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2016, the employer contribution was 9.24% of the participating employee's earned compensation. Employees contribute 6% of their earned compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times. In 2016, employer and employee contributions were \$121.5 million (9.24%) and \$79.0 million (6%), respectively.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 16 – POSTEMPLOYMENT BENEFITS

The State provides the following significant other postemployment benefit (OPEB) plans:

Administered by Department of Community Health (DCH):  
Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)  
Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund)

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

Administered by the Board of Regents University System Office (BOR):  
Board of Regents Retiree Health Benefit Fund (Regents Plan)

The financial statements for these plans are presented in the Fiduciary Funds section of this report. Separate financial reports that include the required supplementary information for the plans administered by ERS and BOR are also publicly available and may be obtained from the offices that administer the plans.

#### *A. Summary of Significant Accounting Policies*

##### **Basis of Accounting**

The financial statements of these plans are prepared using the accrual basis of accounting. Contributions from employers and members are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

##### **Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

#### *B. Multiple-employer Plans*

##### **Plan Descriptions and Contribution Information**

###### **State OPEB Fund and School OPEB Fund**

The State OPEB Fund and School OPEB Fund are cost-sharing multiple-employer defined benefit postemployment healthcare plans and are reported as employee benefit trust funds.

The State OPEB Fund provides postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

The School OPEB Fund provides postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and





## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

other certified employees of public schools and regional educational service agencies or due under the group health plan for non-certified public school employees. It also pays administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees under both the State and School OPEB Funds, to the Board of Community Health (Board).

The plans are currently funded on a pay-as-you go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with historically, no significant assets accumulating, as would occur in an advance funding strategy.

The contribution requirements of plan members and participating employers are established by the Board in accordance with the 2016 Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. As of January 1, 2012, for members with fewer than five years of service, contributions also vary based on years of service. As of January 1, 2012, on average, members with five years or more of service pay approximately 25% of the cost of health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers, including but not limited to State organizations and school systems, are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2016, were as summarized in the following tables:

#### Combined Active and State OPEB Fund Contribution Rates as a Percentage of Covered Payroll

State organizations, including technical colleges, and certain other eligible participating employers:  
July 2015 – June 2016                      30.454%                      for August – July coverage



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)**

Combined Active and School OPEB Fund Dollar Contribution Rates per Member per Month

Certificated teachers, regional educational service agencies, certain other eligible participating employers:		
July 2015 – June 2016	\$945.00	for July 2015 – June 2016 coverage
Library employees:		
July 2015 – June 2016	\$843.00	for July 2015 – June 2016 coverage
Non-certificated school personnel:		
July 2015 – December 2015	\$596.20	for July 2015 – December 2015 coverage
January 2016 - June 2016	\$746.20	for January 2016 – June 2016 coverage

The State’s estimated required pay-as-you-go employer contributions made to the State OPEB Fund and the School OPEB Fund for the fiscal years ended June 30, 2016, 2015, and 2014 were (amount in thousands):

	<u>State OPEB Fund</u>			<u>School OPEB Fund</u>		
	<u>State Employer</u>		<u>Percent Contributed</u>	<u>State Employer</u>		<u>Percent Contributed</u>
	<u>Required Contribution</u>			<u>Required Contribution</u>		
2016	\$ 146,831	100%	\$ 2,028	100%		
2015	155,505	100%	2,269	100%		
2014	165,917	100%	2,395	100%		

In addition to the above OPEB contributions for former employees of organizations in the State reporting entity, the State made on-behalf contributions during 2014 to SHBP for combined active and OPEB coverage of certificated personnel employed by Local Education Agencies was \$720.0 million. A portion of those contributions was transferred to the School OPEB Fund of \$186.3 million.

**State Employees’ Assurance Department**

SEAD-OPEB and SEAD-Active are cost-sharing multiple-employer defined benefit other postemployment plans that were created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to eligible members of the ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). SEAD-OPEB provides benefits for retired and vested inactive members, and SEAD-Active provides benefits for active members. Effective July 1, 2009, no newly hired members of any State public retirement system are eligible for term life insurance under SEAD. Pursuant to Title 47 of the O.C.G.A., benefit provisions of the plans were established and can be amended by State statute.

In addition to SEAD-OPEB and SEAD-Active, and included with the OPEB plans, is the Survivors Benefit Fund (SBF). SBF was established under O.C.G.A. 47-2-128(c) (3) within the ERS trust solely for maintaining group term life insurance coverage for members of the ERS plan. All assets of SBF are therefore limited to the payment of benefits and expenses for such coverage and cannot be used to pay pension benefits of ERS. SBF is shown on the financial statements separately with the OPEB plans to closely align with their ultimate purpose. While shown within the OPEB plans for reporting purposes, SBF may only be used to pay benefits or expenses of



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

SEAD-OPEB or SEAD-Active with authorization by the ERS Board of Trustees. There are no liabilities associated with this fund and an actuarial valuation is not prepared, as there are no funding requirements.

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, 2013, actuarial valuations as follows:

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

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.

### Participating Employers

The number of participating employers for the multiple-employer postretirement benefit plans as of June 30, 2015, was:

State OPEB	203
School OPEB	245
SEAD (OPEB and Active)	477

These counts treat each legal entity in the State reporting entity as one employer.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

#### *C. Single-employer Plan: Board of Regents Retiree Health Benefit Fund*

##### **Plan Description and Funding Policy**

The Regents Plan is a single-employer, defined benefit postemployment healthcare plan administered by the Board of Regents (BOR). The Regents Plan was authorized pursuant to O.C.G.A. Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree postemployment health insurance benefits.

Pursuant to the general powers conferred by O.C.G.A. Section 20-3-31, the BOR (higher education fund) has established group health and life insurance programs for regular employees of the university system. It is the policy of the BOR to permit employees of the university system eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the BOR define and delineate who is eligible for these postemployment health and life insurance benefits. The BOR offers its employees and retirees under the age of 65 access to three self-insured healthcare plan options and one fully insured plan option. For the BOR's Plan Year 2016, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) Consumer Choice HSA plan, and the (Blue Cross and Blue Shield of Georgia) Comprehensive Care plan.

Retirees age 65 and older participate in a secondary healthcare coverage for Medicare-eligible retirees and dependents provided through a retiree health care exchange option. The BOR makes contributions to the retirees' health reimbursement account, which can be used by the retiree to pay premiums and out-of-pocket healthcare related expenses.

The contribution requirements of plan members and the employer are established and may be amended by the BOR. The Regents Plan is substantially funded on a pay-as-you-go basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by BOR designation. Organizational units of the BOR pay the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the BOR for the upcoming plan year. For the 2016 plan year, the employer rate was approximately 79% of the total health insurance cost for eligible retirees, and the retiree rate was approximately 21%. The employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or dependent life insurance coverage, such costs are borne entirely by the retiree.

##### **Annual OPEB Cost and Net OPEB Obligation**

The annual OPEB cost (expense) for the Regents Plan is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 actuarial liabilities over a period not to exceed 30 years.



**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)**

The following table presents the components of the annual OPEB cost, the amount actually contributed, and the changes in the net OPEB obligation for the Regents Plan for 2016, 2015, and 2014 (amount in thousands):

	Fiscal Year Ended 6/30/2016	Fiscal Year Ended 6/30/2015	Fiscal Year Ended 6/30/2014
Annual required contribution	\$ 295,200	\$ 442,400	\$ 403,300
Interest on net OPEB obligation	97,300	82,900	69,900
Adjustment to annual required contribution	(88,200)	(75,200)	(63,400)
Annual OPEB cost (expense)	304,300	450,100	409,800
Less: Contributions made	(111,800)	(129,800)	(120,900)
Increase in net OPEB obligation	192,500	320,300	288,900
Net OPEB obligation - beginning of year	2,163,400	1,843,100	1,562,600
Prior Year Adjustment - Life Insurance	-	-	(8,400)
<b>Net OPEB obligation - end of year</b>	<b>\$2,355,900</b>	<b>\$2,163,400</b>	<b>\$1,843,100</b>
<b>Percentage of annual OPEB cost contributed</b>	<b>36.7%</b>	<b>28.8%</b>	<b>29.5%</b>

**D. Funded Status, Funding Progress, and Actuarial Methods and Assumptions**

The funded status of each plan as of the most recent actuarial valuation date is as follows (amount in thousands):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
State OPEB	6/30/2015	\$ 101,450	\$ 3,529,010	\$ 3,427,560	2.9%	\$ 2,333,060	146.9%
School OPEB	6/30/2015	30,853	10,543,010	10,512,157	0.3%	9,689,202	108.5%
SEAD-OPEB	6/30/2015	1,046,559	769,747	(276,812)	136.0%	1,521,741	(18.2%)
SEAD-Active	6/30/2015	240,677	21,723	(218,954)	1,107.9%	1,521,741	(14.4%)
Regents Plan*	7/1/2015	281	2,657,096	2,656,815	0.0%	3,087,013	86.1%

\* Changes in Plan Provisions: Effective January 1, 2016, all post-65 Medicare eligible retirees access medical coverage through an individual Healthcare Exchange marketplace. BOR provides an annual fixed dollar HRA contribution for these retirees.

Additional contributions were required by the Board in fiscal year 2016 as a reserve for financing future costs associated with the OPEB liabilities. Amounts contributed to the State OPEB Fund and the School OPEB Fund were \$414.8 million and \$64.6 million, respectively. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for OPEB and are subject to appropriation.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

Actuarial valuations of the ongoing plans administered by DCH and BOR involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Additionally, for the State OPEB and Schools OPEB plans, the impact of the Affordable Care Act (ACA) was addressed in this valuation. While the impact of certain provisions [such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate] should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required. The June 30, 2015 and 2014 valuations also included using payroll location codes and various pension plan data to exclude compensation for pension plan members ineligible for participation in SHBP.

The schedule of funding progress with multiyear trend information for the DCH and Regents Plan is presented as required supplementary information following the notes to the financial statements. The multiyear trend information about the funding progress for the ERS multiple-employer plan is presented in the standalone report issued by the administering system. These multiyear schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

For plans administered by ERS, the annual actuarial valuations providing the measures to assess funding progress will utilize the actuarial methods and assumptions last adopted by the Board based upon the advice and recommendations of the actuary. The Board will periodically have actuarial projections of the valuation results performed to assess the current and expected future progress towards the overall funding goals of the System. These periodic projections will provide the expected valuation results over at least a 30 year period. The projected measures of funding progress and the recent historical trend provided in valuations will provide important information for the Board's assessment of the System's funding progress.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

Additional information as of the latest actuarial valuation follows:

	<u>State OPEB and School OPEB</u>	<u>SEAD-OPEB and SEAD-Active</u>	<u>Regents Plan</u>
Valuation date	6/30/2015	6/30/2015	7/1/2015
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level dollar, open	Level percentage of pay, closed
Remaining amortization period	30 years	N/A	30 years
Asset valuation method	Market Value	Market Value	Market Value
<b>Actuarial assumptions:</b>			
Investment rate of return	4.50%*	7.50%**	4.50%***
Salary Growth	n/a	0.00% - 7.00%**	3.00%***
Salary Scale	n/a	n/a	4.00%***
Healthcare cost trend rate - initial			
Pre-Medicare eligible	7.50%*	n/a	7.50%***
Medicare eligible	5.75%*	n/a	4.5%***
Ultimate trend rate			
Pre-Medicare eligible	5.00%	n/a	4.50%***
Medicare eligible	5.00%	n/a	4.50%***
Year of ultimate trend rate	2019	n/a	2031

\* Includes an inflation assumption of 3%

\*\* Includes an inflation assumption of 2.75%

\*\*\* Includes an inflation assumption of 2.50%



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 17 – RISK MANAGEMENT

#### *A. Public Entity Risk Pool*

The Department of Community Health (DCH) administers the State Health Benefit Plan (SHBP) for the State. Under O.C.G.A. Section 45-18-2, the DCH Board has the authority to establish a health insurance plan; provide rules and regulations; and general provisions of the plan. The plan is comprised of three health insurance plans: (1) a plan primarily for State employees (O.C.G.A. Section 45-18-2), (2) a plan for teachers (O.C.G.A. Section 20-2-881), and (3) a plan for non-certificated public school employees (O.C.G.A. Section 20-2-911). The SHBP acts as the plan administrator for approximately 460 organizations (state, county and local educational agencies) and provides health coverage to more than 0.6 million employees, teachers, retirees and their dependents. All employees become members of the plan unless coverage is rejected or waived. An employee may withdraw from the plan if they become eligible for coverage under the aged program of the Social Security Administration (O.C.G.A. Section 45-18-17). SHBP accepts all of the risk of insuring its employees.

SHBP is accounted for on the accrual basis. Claim liabilities are based on estimates for claims that have been incurred, but not reported. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Estimates of liabilities for incurred, (both reported and unreported) but unpaid are actuarially determined based on estimates of the ultimate cost of settling claims, using past experience adjusted for current trends and any other factors that would modify past experience. Because actual claim liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claim liabilities may not result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

SHBP's general objectives as required under Georgia Compensation Rules & Regulations (Section 111-4-1) are to collect enrollment information from covered employer groups, collect health premiums and employer contributions, and provide management and planning of health benefits.

#### *B. Board of Regents Employee Health Benefits Plan*

The Board of Regents of the University System of Georgia (BOR) maintains a program of health benefits for its employees and retirees. This plan is funded jointly through premiums paid by participants covered under the plan and employer contributions paid by the BOR and its organizational units. All units of the University System of Georgia share the risk of loss for claims of the plan.

#### *C. Other Risk Management*

The Department of Administrative Services (DOAS) has the responsibility for the State of Georgia of making and carrying out decisions that will minimize the adverse effects of accidental losses that involve State government assets. The State believes it is more economical to manage its risks internally and set aside assets for claim settlement. Accordingly, DOAS processes claims for risk of loss to which the State is exposed, including general liability, property and casualty, workers' compensation, unemployment compensation, and law enforcement officers' and teachers' indemnification. Limited amounts of commercial insurance are purchased applicable to property, employee and automobile liability, fidelity and certain other risks.

The BOR is part of the State of Georgia reporting entity, and as such, is covered by the State of Georgia risk management program administered by DOAS. Premiums for the risk management program are charged to the various state organizations by DOAS to provide claims servicing and claims payment.





**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2016**

**NOTE 17 – RISK MANAGEMENT (continued)**

Charges by the workers’ compensation risk management fund and the liability insurance risk management fund to other funds have failed to recover the full cost of claims over a reasonable period of time. Therefore, the unadjusted deficit at June 30, 2016, of \$619.0 million both for workers’ compensation and liability was charged back to the contributing funds. Expenditures of \$412.3 million are reported in the General Fund, and expenses of \$147.8 million are reported in the Higher Education Fund (enterprise fund) relating to this charge-back.

**D. Claims Liabilities**

A reconciliation of total claims liabilities for fiscal years ended June 30, 2016, and 2015, is shown below (amount in thousands):

	<b>Public Entity Risk Pool</b>		<b>Board of Regents Employee Health Benefits Plan</b>		<b>Risk Management Fund</b>	
	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	Year Ended 6/30/2016	Year Ended 6/30/2015	Year Ended 6/30/2016	Year Ended 6/30/2015	Year Ended 6/30/2016	Year Ended 6/30/2015
<b>Unpaid Claims and Claim Adjustments July 1</b>	<b>\$ 176,906</b>	<b>\$ 177,083</b>	<b>\$ 36,497</b>	<b>\$ 39,089</b>	<b>\$ 607,719</b>	<b>\$ 582,538</b>
Current Year Claims and Changes in Estimates	2,013,443	1,882,588	385,415	376,622	184,295	151,473
Claims Payments	<u>(2,009,810)</u>	<u>(1,882,765)</u>	<u>(370,934)</u>	<u>(379,214)</u>	<u>(152,171)</u>	<u>(126,292)</u>
<b>Unpaid Claims and Claim Adjustments June 30</b>	<b><u>\$ 180,539</u></b>	<b><u>\$ 176,906</u></b>	<b><u>\$ 50,978</u></b>	<b><u>\$ 36,497</u></b>	<b><u>\$ 639,843</u></b>	<b><u>\$ 607,719</u></b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 18 – LITIGATION, CONTINGENCIES, AND COMMITMENTS

#### A. *Grants and Contracts*

The amounts received or receivable from grantor agencies are subject to audit and review by grantor agencies, principally the federal government. This could result in a request for reimbursement by the grantor agency for any expenditures which are disallowed under grant terms.

#### B. *Litigation and Contingencies*

The State 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 State. The following are significant active litigation, claims and assessments involving the State:

#### **Primary Government**

*Trecia Neal, et al. v. Georgia Department of Community Health* - Plaintiffs, who seek class action status, are members of the State Health Benefit Plan (“SHBP”) who have brought suit for breach of contract asserting that retroactive modifications to the SHBP that were made after members enrolled for the 2014 plan year had the effect of breaching the members’ alleged contracts with SHBP. Plaintiffs assert that state employees who elected the higher cost coverage options had their benefits reduced to similar benefits received by employees paying significantly lower costs, but the higher premiums were not reduced or refunded. Plaintiffs seek reimbursement of excess medical premiums paid by the class members, plus attorneys’ fees. The Department of Community Health (“DCH”) filed a motion to dismiss based on sovereign immunity arguing that the SHBP documents do not create an express, written contract with the state employees, however the judge denied the motion. DCH filed an appeal with the Georgia Court of Appeals. On November 20, 2015, the Court of Appeals issued its decision which granted DCH’s appeal and reversed the trial court. Plaintiffs subsequently filed a Petition for Writ of Certiorari with the Georgia Supreme Court. On March 25, 2016, in a separate case, the Georgia Supreme Court issued a decision in *Rivera v. Washington*, which appears to have overruled all Court of Appeals decisions that allowed direct appeals of adverse trial court rulings based on sovereign immunity grounds under the collateral order doctrine, finding that they should have instead been brought as interlocutory appeals. *Rivera v. Washington*, Ga. Supreme Court Case No. A15A1033, on appeal from Ga. Court of Appeals Case No. A15A0878. The Georgia Supreme Court’s decision states that, as a result of its determination of the *Rivera* case, multiple decisions of the Court of Appeals, including the Court of Appeals decision in *Neal*, are therefore overruled. On April 26, 2016, the Georgia Supreme Court granted Plaintiff’s Petition for Certiorari, vacated the Court of Appeals decision in *Neal* and, in light of the decision in *Rivera*, remanded the case to the Court of Appeals for reconsideration of its conclusion that it had jurisdiction over the direct appeal. It seems likely that the case will eventually be returned to the trial court. If that occurs, DCH intends to file another motion to have the case dismissed on sovereign immunity grounds. At this stage of litigation, it is impracticable to render an opinion about whether the likelihood of an unfavorable outcome is either “probable” or “remote”; however, the State believes it has meritorious defenses and is vigorously defending this action.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 18 – LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

In another matter involving DCH, following an onsite review in 2014 of Georgia’s nursing facility funding arrangements by the United States Department of Health and Human Services, Centers for Medicare & Medicaid Services (“CMS”), CMS issued a report in November 2015 concluding that certain funding arrangements for the payment of the State’s share of upper payment limit payments to certain nursing homes owned by development authorities within the State were in violation of federal law and the State’s Medicaid Plan. The report included a demand for the return of such upper payment limit payments for fiscal year 2010 and fiscal year 2011 in an aggregate amount of approximately \$76.0 million and the return of any upper payment limit payments made to such nursing homes in subsequent fiscal years, which DCH estimates to be in an aggregate amount of approximately \$94.0 million for both fiscal year 2012 and fiscal 2013. DCH has taken no action to return the funds and expects to appeal and vigorously assert its position contesting any future notice of disallowance issued by CMS.

Additionally, CMS has proposed that DCH reimburse CMS for negative account balances resulting from rolling grant funding which was available prior to fiscal 2010. Amounts proposed by CMS are approximately \$50.0 million. DCH has respectfully requested specific documentation to substantiate origin of the proposed amounts. According to the U.S. Department of Health and Human Services, Office of the Inspector General report, dated March 2016, the former practice of rolling grant funding includes consequences for negative balances for Medicaid programs across the nation.

The State is also involved in a number of disputes concerning the operation of U.S. Army Corps of Engineers (“Corps”) dams and reservoirs in the Apalachicola-Chattahoochee-Flint (“ACF”) River Basin and the Alabama-Coosa-Tallapoosa (“ACT”) River Basin for water supply and other purposes. Buford Dam impounds the Chattahoochee River to form Lake Lanier and is part of the ACF River Basin. Lake Lanier is the primary source of water supply to more than three million people in north Georgia, including a substantial portion of the metropolitan Atlanta region’s population. The additional federal reservoirs are downstream of Lake Lanier in the ACF River Basin. The ACF River Basin is shared by Alabama, Florida, and Georgia. Lake Allatoona is in the ACT River Basin, which is shared by Alabama and Georgia. Lake Allatoona also is a major source of water supply to north Georgia. It is not possible at this time to predict the duration or outcome of any of these cases.

#### *C. Guarantees and Financial Risk*

##### Component Units

Georgia Housing Finance Authority (GHFA) has uninsured single-family mortgage loans of approximately \$35.7 million as of June 30, 2016. All of these loans are for home mortgages in the State of Georgia. Current economic conditions in Georgia have a direct impact on foreclosures and the higher rate of loss on foreclosed loans. If the economy declines, one impact of these conditions could be a decline in house values and an increase in unemployment and underemployment. The GHFA could incur a higher rate of foreclosure and a higher rate of loss on foreclosed loans as a result of the impact of their economic factors and the decline in the value of its underlying collateral on uninsured loans. If the economy declines and, as a result, the GHFA could experience a dramatic increase in foreclosures, it is possible that the combination of such an increase combined with lower housing prices could result in increased losses of loan assets that could have adverse impacts on the GHFA's ability to repay its outstanding bonds.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 18 – LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

#### *D. Other Significant Commitments*

##### **Primary Government**

##### **Bond Proceeds**

Georgia State Financing and Investment Commission (GSFIC) (general obligation bond projects fund) has entered into agreements with various State organizations for the expenditure of bond proceeds and cash supplements (provided by or on behalf of the organization involved) to acquire and construct capital projects. At June 30, 2016, the undisbursed balance remaining on these agreements approximated \$1.1 billion.

##### **Contractual Commitments**

The Georgia Constitution permits State organizations to enter into contractual commitments provided they have funds available (statutory basis) at the time of the execution of the contract. At June 30, 2016, the fund balances of the primary government include encumbrances of \$4.4 billion.

Board of Regents (Higher Education Fund) had significant, unearned, outstanding construction or renovation contracts executed in the amount of \$131.2 million as of June 30, 2016. This amount is not reflected in the financial statements.

Georgia Technology Authority (GTA) has significant commitments to IBM and AT&T through master service agreements. The \$1.1 billion IBM master contract, effective April 1, 2009, is an eight year contract with two optional years, and has a remaining balance of \$217.7 million as of June 30, 2016. The \$440.6 million AT&T master contract, effective January 1, 2016, is a five year contract with three optional years, and has a remaining balance of \$411.9 million as of June 30, 2016.

On August 24, 2015 GTA entered into an agreement with Capgemini to provide service integration processes and systems, including billing, service desk, service catalog and request management, risk and security management, among other services. This agreement is a seven year contract with three optional years for a total contract amount of \$300.5 million, and a remaining balance of \$273.4 million as of June 30, 2016.

In April 2011, as permitted by Article IX, Section III, Paragraph I (a) of the Constitution of 1983, State Road and Tollway Authority (SRTA) (nonmajor governmental fund) and Department of Transportation (GDOT) (General Fund) entered into an agreement whereby GDOT would build, and SRTA would fund, a portion of certain transportation projects along the GA 400 corridor. The original SRTA commitment was \$27.3 million and \$2.1 million was added to the commitment in fiscal year 2013. In fiscal year 2015 and 2016, \$5.8 million and \$1.6 million respectively were released for use on other projects. Expenditures through June 30, 2016 are \$21.9 million. The remaining outstanding balance carried forward to fiscal year 2017 is \$0.2 million.

In addition, SRTA has contractual commitments on other uncompleted contracts of \$700.7 million, the majority of which are for the I-285 at SR 400 Interchange Reconstruction Project and the I-75 Northwest Corridor Express Lane Project.

As of June 30, 2016, Employees' Retirement System of Georgia (ERS) had committed to fund certain private equity partnerships for a total capital commitment of \$300.1 million. Of this amount, \$195.2 million remained unfunded and is not recorded on ERS Combining Statement of Fiduciary Net Position.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 18 – LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

#### Component Units

##### **Contractual Commitments**

Georgia Environmental Finance Authority (GEFA) has entered into contractual agreements to fund three Clean Water State Revolving Loan Fund loans with resources from GEFA's Georgia Fund in the amount of \$41.0 million. It is anticipated that balloon payments on these loans will become due in full between February 1, 2027, and February 1, 2028. GEFA plans to designate funds at a proportionate amount annually to accumulate adequate resources at the time the loans become payable to each of their respective funds beginning with fiscal year 2013. As of June 30, 2016, an amount of \$8.8 million previously accumulated has been released from the purpose of satisfying this future commitment.

At June 30, 2016 GEFA had commitments to fund projects, excluding the undisbursed portion of loans in process, totaling \$78.1 million.

At June 30, 2016 the Georgia Ports Authority (GPA) had commitments for construction projects of approximately \$55.5 million.

In August 2007, the GPA formally entered into an agreement with the State of Georgia Governor's Office of Planning and Budget (OPB) to make voluntary annual payments to the State of Georgia's Treasury (OST) over a 21-year period. The total amount of payments due to OPB at June 30, 2016, was approximately \$179.4 million.

During the fiscal year ended June 30, 2013, the GPA entered into a compromise and settlement agreement with the U.S. Army Corps of Engineers, the State of South Carolina and several nongovernmental environmental organizations relative to the project by the U.S. Army Corps of Engineers to deepen the Savannah River federal navigation channel. The project is commonly referred to as the Savannah Harbor Expansion Project (SHEP).

The respective SHEP agreement, approved by the U.S. Federal District Court for the District of South Carolina, resulted in a commitment by the GPA in the amount of \$35.5 million, of which GPA had paid \$3.0 million through the year ended June 30, 2016, which includes the following provision to be funded by the GPA subject to satisfaction of certain conditions that at this time are based on all known and expected factors, and therefore, considered to be "probable" at this time as defined by respective and authoritative financial reporting standards:

- 1) The GPA will establish a letter of credit or escrow account within 6 months of the commencement of inner harbor dredging in the amount of \$2.0 million to serve as a contingency fund should the operation of the dissolved oxygen injection system not receive funding by the federal government. This letter of credit or escrow account will be maintained at a minimum of \$2.0 million for 50 years after completion of the SHEP.
- 2) The GPA will contribute \$3.0 million for water quality monitoring in the Lower Savannah River Basin; \$3.0 million for monitoring and research of Shortnose and Atlantic Sturgeon; \$15.0 million for conservation, wetlands preservation, acquisitions of easements and/or upland buffers, and creation, restoration or enhancement of wetlands to benefit the Lower Savannah River watershed.
- 3) The GPA will contribute \$12.5 million for environmental and conservation projects in the Savannah River Basin to the Savannah River Restoration Board whose membership is prescribed in the agreement.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 18 – LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

In fiscal year 2016, construction continued on the new Mercedes-Benz Stadium (MBS) which will replace the Georgia Dome (Dome) as the home of the NFL Atlanta Falcons and other major events currently hosted at the Dome. The George L. Smith II Georgia World Congress Center Authority (GWCCA) will own the new stadium and will license rights of use to StadCo (the Atlanta Falcons Football Club, LLC (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 five-year renewal terms. StadCo will pay GWCCA 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 \$200.0 million in revenue bonds issued by the City of Atlanta and Personal Seat License (PSL) fees sold by GWCCA 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, GWCCA appointed StadCo as the exclusive agent and sales representative for the marketing and sale of PSLs in the new stadium. MBS club seat PSL sales began in January 2015 in connection with the start of the relocation process for current Georgia Dome club seat holders.

#### University System Foundations

The Georgia Tech Athletic Association Foundation has entered into employment contracts with certain employees expiring in years through 2022 that provide for a minimum annual salary. At June 30, 2016, the total commitment for all contracts for each of the next five years and in the aggregate is as follows:

June 30, 2017-	\$7.5 million
June 30, 2018-	\$7.4 million
June 30, 2019-	\$6.3 million
June 30, 2020-	\$6.4 million
June 30, 2021-	\$2.4 million
June 30, 2022-	\$2.2 million

In June 2015, Georgia Tech Foundation committed \$25.0 million of unrestricted funds to the Georgia Institute of Technology for support of Institute programs and development operations, with a condition that the funds are to be expended during years 2016 and 2017. If the funds are not expended by June 30, 2017, the remainder is retained by the Foundation. As of June 30, 2016 the Foundation expended a total of \$19.8 million and \$5.3 million remained as a commitment.



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 19 – SUBSEQUENT EVENTS

#### A. Primary Government

##### Long-term Debt Issues

##### General Obligation Bonds Issued

In June 2016, the State sold General Obligation bonds in the total amount of \$920.1 million for delivery on July 7, 2016, to provide funds for various capital outlay projects of the State, for county and independent school systems through the Department of Education, to finance projects and facilities for both the Board of Regents of the University System of Georgia (BOR) and the Technical College System of Georgia, and to provide loans through Georgia Environmental Finance Authority (GEFA) to local governments and local government entities for water and sewerage facilities:

<u>Series</u>	<u>Amount (in millions)</u>
2016A	\$ 720.2
2016B	<u>199.9</u>
<b>Total</b>	<b><u>\$ 920.1</u></b>

The true interest cost on the 2016AB bonds was 2.1440% and the average life is 8.929 years.

##### General Obligation Refunding Bonds

In June 2016, the State sold General Obligation refunding bonds in the total amount of \$450.7 million for delivery on July 7, 2016:

<u>Series</u>	<u>Amount (in millions)</u>
2016C	\$ 383.0
2016D	<u>67.7</u>
<b>Total</b>	<b><u>\$ 450.7</u></b>

This refunding issue refinanced \$501.2 million of the State's outstanding general obligation bonds at lower rates. The true interest cost for the Series 2016CD refunding bonds, which have an average life of 8.929 years, is 2.1440%.

In June 2016, the State sold General Obligation refunding bonds in the total amount of \$890.1 million for delivery on November 17, 2016:

<u>Series</u>	<u>Amount (in millions)</u>
2016E	\$ 381.0
2016F	<u>509.1</u>
<b>Total</b>	<b><u>\$ 890.1</u></b>



## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2016

### NOTE 19 – SUBSEQUENT EVENTS (continued)

This refunding issue refinanced \$1.0 billion of the State's outstanding general obligation bonds at lower rates. The true interest cost for the Series 2016EF refunding bonds, which have an average life of 7.989, is 1.7005%.

#### Revenue Bonds

On July 28, 2016, the State Road and Tollway Authority (SRTA) issued \$19.3 million of the State's Guaranteed Revenue Refunding Bonds, Series 2016. Including bond premiums in the amount of \$5.1 million, the bond proceeds amounted to \$24.4 million. The bonds were issued for the purposes of refunding all outstanding State of Georgia Guaranteed Revenue Bonds, Series 2003, and to pay a portion of the costs of issuance of the bonds. Interest on these bonds is payable semiannually on April 1 and October 1 of each year with an interest rate of 5%. These bonds mature on October 1, 2023. These bonds are secured by the amount of net proceeds of motor fuel tax provided for in a joint resolution of the Georgia State Transportation Board and the Authority. Further, the State of Georgia has guaranteed the full payment of the bonds and the interest thereon in accordance with the Constitution of the State of Georgia.

#### Other Subsequent Events

The Tenet Settlement *US ex rel. Williams v. Health Management Associates, Tenet Healthcare, et al.* declared that Health Management Associates (HMA) and Tenet hospitals recruited undocumented workers to its prenatal clinics and then directed them to certain hospitals under HMA and Tenet. The Settlement also stated that HMA and Tenet hospitals paid for referrals through contracts with clinics, and the hospitals were intentionally paying illegal kickbacks for Medicaid patient referrals. The State of Georgia intervened and HMA settled as to its involvement and was dismissed and Tenet was required to pay a settlement of \$122.9 million settlement plus \$0.5 million in interest to the State.

On September 22, 2016, Department of Defense entered into a construction contract to build a "Tactical Unmanned Aircraft System Ready Building" located at Evans Army Airfield, Fort Stewart, Georgia. The contract is valued at \$6.2 million is 100% federally funded through the Military Readiness Program.

#### *B. Component Units*

#### Other Subsequent Events

The Georgia Housing and Finance Authority issued 2016 Series B Single-Family Mortgage Bonds in the total amount of \$117.6 million for delivery on October 18, 2016.

In August 2016, the USG Real Estate Foundation IV, LLC (part of the USG Foundation) entered into a letter of intent with the U.S. Department of Agriculture's Rural Development office to obtain a direct Community Facilities loan not to exceed \$41.2 million. The loan proceeds will be used for the costs associated with the acquisition of the net investment in direct financing lease for Wildcat Commons, Phase I at Fort Valley State University in Fort Valley, Georgia. Wildcat Commons, Phase I consists of five residential housing buildings containing 951 beds and a clubhouse. The Community Facilities loan is committed and will close on or before October 28, 2018.



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REQUIRED SUPPLEMENTARY INFORMATION

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## Required Supplementary Information

### Budgetary Comparison Schedule

### Budget Fund

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

(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
<b>Funds Available</b>					
State Appropriation					
State General Funds	\$ 19,264,356	\$ 19,666,799	\$ 19,666,799	19,666,730	\$ 69
State Motor Fuel Funds	1,003,354	1,605,915	1,605,915	1,605,915	-
Lottery Proceeds	977,772	1,008,099	1,008,099	1,007,133	966
Tobacco Settlement Funds	140,814	138,631	138,631	138,631	-
Brain and Spinal Injury Trust Fund	1,459	1,459	1,459	1,494	(35)
Nursing Home Provider Fees	167,969	167,969	163,524	163,524	-
Hospital Provider Fee	272,255	272,255	270,602	270,602	-
State Funds - Prior Year Carry-Over					
State General Fund Prior Year	-	-	107,231	118,239	(11,008)
Brain and Spinal Injury Trust Fund - Prior Year	-	-	698	1,145	(447)
State Motor Fuel Funds - Prior Year	-	-	343,729	1,293,959	(950,230)
Federal Funds					
CCDF Mandatory & Matching Funds	102,807	97,827	89,165	89,165	-
Child Care and Development Block Grant	122,402	140,116	112,312	108,504	3,808
Community Mental Health Services Block Grant	14,164	14,164	16,114	14,301	1,813
Community Services Block Grant	16,527	16,735	21,682	21,637	45
Federal Highway Administration - Highway Planning and Construction	1,526,297	1,526,297	1,572,057	1,563,576	8,481
Foster Care Title IV-E	87,072	91,665	87,138	87,360	(222)
Low-Income Home Energy Assistance	55,867	56,630	50,273	49,952	321
Maternal and Child Health Services Block Grant	16,884	16,884	26,757	17,244	9,513
Medical Assistance Program	6,594,102	6,789,442	7,243,463	7,109,257	134,206
Prevention and Treatment of Substance Abuse Block Grant	47,734	47,734	55,113	51,872	3,241
Preventive Health and Health Services Block Grant	2,404	2,404	7,919	4,226	3,693
Social Services Block Grant	93,260	93,257	98,502	84,620	13,882
State Children's Insurance Program	425,581	258,161	351,599	347,372	4,227
Temporary Assistance for Needy Families Block Grant	371,643	361,442	344,883	340,041	4,842
Federal Funds Not Itemized	3,724,706	3,785,400	4,681,805	3,962,581	719,224
American Recovery and Reinvestment Act of 2009					
Federal Highway Administration - Highway Planning and Construction	-	-	89	89	-
Medical Assistance Program	-	-	35,109	23,000	12,109
Federal Funds Not Itemized	84,536	88,454	101,999	60,142	41,857
Other Funds	9,609,557	9,937,267	12,162,254	12,085,551	76,703
<b>Total Funds Available</b>	<b>44,731,077</b>	<b>46,397,002</b>	<b>50,575,667</b>	<b>50,498,609</b>	<b>77,058</b>
<b>Expenditures</b>					
Georgia Senate	10,770	10,770	10,992	9,703	1,289
Georgia House of Representatives	18,967	18,967	19,660	17,257	2,403
Georgia General Assembly Joint Offices	10,542	10,551	10,824	9,301	1,523
Audits and Accounts, Department of	35,634	35,637	35,636	35,491	145
Appeals, Court of	17,465	18,311	18,584	18,584	-
Judicial Council	19,110	18,112	19,498	18,505	993
Juvenile Courts	8,054	7,608	7,769	7,691	78
Prosecuting Attorneys	73,343	73,473	98,019	92,707	5,312
Superior Courts	69,221	69,292	69,326	69,322	4
Supreme Court	12,172	12,220	12,505	12,505	-
Accounting Office, State	27,569	28,994	32,967	30,191	2,776
Administrative Services, Department of	199,225	204,617	342,801	229,622	113,179
Agriculture, Department of	55,335	55,365	64,668	62,687	1,981
Banking and Finance, Department of	11,906	11,907	12,477	12,458	19
Behavioral Health & Developmental Disabilities, Department of	1,165,984	1,163,926	1,230,459	1,206,433	24,026
Community Affairs, Department of	257,964	298,795	286,439	286,345	94
Community Health, Department of	13,710,698	13,921,700	15,534,731	13,795,960	1,738,771
Community Supervision, Department of	-	34,756	35,943	35,144	799

(continued)



## Required Supplementary Information

### Budgetary Comparison Schedule

### Budget Fund

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

(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
<b>Expenditures</b>					
Corrections, Department of	1,206,265	1,182,307	1,216,607	1,216,384	223
Defense, Department of	57,783	64,674	68,744	63,783	4,961
Driver Services, Department of	69,940	69,951	72,158	71,461	697
Early Care and Learning, Department of	723,276	755,621	727,914	720,213	7,701
Economic Development, Department of	104,844	105,696	170,776	130,950	39,826
Education, Department of	10,612,223	10,718,752	11,049,274	10,644,768	404,506
Employees' Retirement System of Georgia	54,885	55,746	55,746	54,342	1,404
Forestry Commission, State	48,340	48,453	63,127	63,082	45
Governor, Office of the	89,332	98,787	292,623	169,652	122,971
Human Services, Department of	1,723,566	1,799,271	1,798,759	1,785,384	13,375
Insurance, Department of	21,271	20,972	21,260	20,958	302
Investigation, Georgia Bureau of	174,713	196,016	238,624	201,665	36,959
Juvenile Justice, Department of	319,173	318,194	322,708	319,637	3,071
Labor, Department of	137,174	132,494	147,603	139,352	8,251
Law, Department of	67,796	67,799	95,827	93,734	2,093
Natural Resources, Department of	246,855	250,049	322,154	285,699	36,455
Pardons and Paroles, State Board of	56,711	46,418	46,829	45,783	1,046
Properties Commission, State	1,751	1,751	1,829	1,829	-
Public Defender Council, Georgia	48,362	51,667	85,469	83,358	2,111
Public Health, Department of	650,627	650,981	946,498	767,807	178,691
Public Safety, Department of	206,877	196,817	221,428	214,532	6,896
Public Service Commission	9,826	9,826	9,897	9,896	1
Regents, University System of Georgia	6,788,169	7,113,142	7,730,712	7,097,662	633,050
Revenue, Department of	182,104	197,026	200,169	200,026	143
Secretary of State	29,286	29,125	32,709	32,065	644
Student Finance Commission and Authority, Georgia	717,876	769,600	770,708	728,044	42,664
Teachers' Retirement System	35,353	36,320	36,352	33,890	2,462
Technical College System of Georgia	768,559	781,471	764,373	702,543	61,830
Transportation, Department of	2,577,221	3,335,935	3,840,398	3,324,957	515,441
Veterans Service, Department of	41,299	38,954	44,612	44,475	137
Workers' Compensation, State Board of	22,692	22,694	22,694	18,498	4,196
State of Georgia General Obligation Debt Sinking Fund	1,232,969	1,235,492	1,313,788	1,198,545	115,243
<b>Total Expenditures</b>	<b>44,731,077</b>	<b>46,397,002</b>	<b>50,575,667</b>	<b>46,434,880</b>	<b>4,140,787</b>
Excess of Funds Available over Expenditures	\$ -	\$ -	\$ -	\$ 4,063,729	\$ (4,063,729)



**Required Supplementary Information**  
**Budget to GAAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2016**  
(dollars in thousands)

	<b>General Fund</b>
<b>Sources/Inflows of Resources</b>	
<b>Summary</b>	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	\$ 50,498,609
Differences - budget to GAAP	
<i>Perspective Differences:</i>	
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(9,091,015)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	23,485,679
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(23,058,338)
<i>Basis Differences:</i>	
Accrual of taxpayer assessed receivables and revenues.	(36,373)
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(318,870)
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(3,174,365)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(523,107)
Receivables and revenues accrued based on encumbrances reported for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the goods and services are received for GAAP reporting.	(273,580)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(167,575)
Revenue reported for nonbudgetary food stamp program and donated commodities.	2,857,071
Revenue reported for on-behalf payments related to pensions.	55,305
Other net accrued receivables and revenues.	(53,424)
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 40,200,017



**Required Supplementary Information**  
**Budget to GAAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2016**  
(dollars in thousands)

	<u>General Fund</u>
<b>Uses/Outflows of Resources</b>	
<b>Summary</b>	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	\$ 46,434,880
Differences - budget to GAAP	
<i>Perspective Differences:</i>	
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(11,201,861)
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	62,668
<i>Basis Differences:</i>	
Accrual of teacher salaries not included in current budget year.	74,890
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	27,617
Change in expenditure accrual for nonbudgetary Medicaid claims	(52,100)
Encumbrances for goods and services ordered but not received are reported as budgetary expenditures in the year the order is placed, but are reported as GAAP expenditures in the year the goods and services are received.	(657,952)
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(523,159)
Expenditures reported for nonbudgetary food stamp program and donated commodities.	2,857,071
Expenditures reported for on-behalf payments related to pensions.	55,305
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(503,957)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,603,750)
Other net accrued liabilities and expenditures.	<u>(5,297)</u>
Total Expenditures (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	<u>\$ 34,964,355</u>



## **Required Supplementary Information**

### **Notes to Required Supplementary Information**

### **Budgetary Comparison**

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

#### **Budgetary Reporting**

##### **Budgetary Process**

O.C.G.A. Title 45, Chapter 12, Article 4 sets forth the process for the development and monitoring of an appropriated budget for the State. Not later than September 1 of each year, the head of each executive branch budget unit (e.g. agencies, departments, and commissions) must submit estimates of the financial requirements for the subsequent fiscal year to Office of Planning and Budget (OPB), which operates under the direction of the Governor. Budget estimates relative to the legislative and judicial branches of State government are provided to OPB for the purpose of estimating the total financial needs of the State, but are not subject to revision or review by OPB.

The Governor, through the OPB, examines the estimates and may investigate and revise executive branch submissions as necessary. Upon the completion and revisions of the estimates, the Governor must prepare and submit a budget report to the General Assembly within five days of the date on which the General Assembly convenes. The Governor also possesses the responsibility and authority to establish the revenue estimate for the corresponding fiscal year.

The General Assembly, after adopting such modifications to the Governor's budget report as it deems necessary, enacts the General Appropriations Act for the subsequent fiscal year. Each General Appropriations Act enacted, along with amendments as are adopted, continues in force and effect for the next fiscal year after adoption. In accordance with the Georgia Constitution, Article III, Section IX, Paragraph IV, "The General Assembly shall not appropriate [State] funds for any given fiscal year which, in aggregate, exceed a sum equal to the amount of unappropriated surplus expected to have accrued in the state treasury at the beginning of the fiscal year together with an amount not greater than the total treasury receipts from existing revenue sources anticipated to be collected in the fiscal year, less refunds, as estimated in the budget report and amendments thereto." The Constitution also authorizes the passage of additional Supplementary Appropriation Acts, provided sufficient surplus is available or additional revenue measures have been enacted. Finally, the Governor may withhold allotments of funds to budget units in order to maintain this balance of revenues and expenditures. Compliance with this requirement is demonstrated in the Governor's budget report and the Appropriation Acts for each fiscal year.

To the extent that federal funds received by the State are changed by federal authority or exceed the amounts appropriated by the original or supplementary appropriations acts, such excess, changed or unanticipated funds are "continually appropriated;" that is, they are amended in to departmental budgets when such events are known. Similarly, revenues generated by departments that may be retained for departmental operations ("other funds") are amended in as such funds are collected or anticipated.

Internal transfers within a budget unit are subject to the condition that no funds shall be transferred for the purpose of initiating a new program area which otherwise had received no appropriation of any funding source.

The Governor, through OPB, requires each budget unit, other than those of the legislative and judicial branches, to submit an annual operating budget based on the programs set forth in the Appropriations Act. Budget units submit periodic allotment requests, which must be approved in conjunction with quarterly work programs prior to release of appropriated funds. Further monitoring of budget unit activities is accomplished by review of expenditure reports, which are submitted quarterly to OPB.



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## **Required Supplementary Information**

### **Notes to Required Supplementary Information**

### **Budgetary Comparison**

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

The appropriated budget covers a majority of the organizations comprising the State's General Fund, and includes appropriations for debt service. The budget also includes certain proprietary funds, the Higher Education Fund, and the administrative costs of operating certain public employee retirement systems.

Budget units of the State are responsible for budgetary control of their respective portion of the total State appropriated budget. The legal level of budgetary control is at the program level by funding source. Due to the complex nature of the State appropriated budget, a separate *Budgetary Compliance Report* is published each year to report on compliance at the legal level of budgetary control.

#### **Budgetary Basis of Accounting**

The annual budget of the State is prepared on the modified accrual basis utilizing encumbrance accounting with the following exceptions: federal and certain other revenues are accrued based on the unexecuted portion of long-term contracts; and intrafund transactions are disclosed as revenues and expenditures. Under encumbrance accounting, encumbrances are used to indicate the intent to purchase goods or services. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods or services need not have been received for liabilities and expenditures to be recorded.

The budget represents departmental appropriations recommended by the Governor and adopted by the General Assembly prior to the beginning of the fiscal year. Annual appropriated budgets are adopted at the departmental (budget unit) level by program and funding source. All unencumbered annual appropriations lapse at fiscal year-end unless otherwise specified by constitutional or statutory provisions. Supplementary and amended appropriations may be enacted during the next legislative session by the same process used for original appropriations.

#### **Budgetary Compliance Exceptions**

Expenditures of State funds may not exceed the amount appropriated at the legal level of control as provided by the Constitution. For the year ended June 30, 2016, total State funds expenditures did not exceed appropriated amounts.

For more information on budgetary exceptions, please refer to the *Budgetary Compliance Report* issued under separate cover. This report can be found on website of the State Accounting Office at <http://sao.georgia.gov/>.

#### **Budgetary Presentation**

The accompanying Budgetary Comparison Schedule for the Budget Fund presents comparisons of the legally adopted budget with actual data prepared on the budgetary basis of accounting utilized by the State. The Budget Fund, a compilation of the budget units of the State, differs from the funds presented in the basic financial statements. The Budget-to-GAAP reconciliation immediately following the budgetary comparison schedule identifies the types and amounts of adjustments necessary to reconcile the Budget Fund with the General Fund as reported in accordance with generally accepted accounting principles.



**Required Supplementary Information**  
**Schedule of Funding Progress for Other Postemployment Benefits**  
**For the Fiscal Year Ended June 30, 2016**  
 (dollars in thousands)

Retirement System	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) using Projected Unit Credit (b)	Unfunded AAL/(Funding Excess) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL/(Funding Excess) as a Percentage of Covered Payroll (b - a) / (c)	Employer Contributions
<b>Multiple-employer Plans:</b>								
State OPEB	6/30/2013	\$ -	\$ 3,587,913	\$ 3,587,913	0.0%	\$ 2,328,334	154.1%	\$ 177,045
	6/30/2014	-	2,871,843	2,871,843	0.0%	2,293,104	125.2%	165,726
	6/30/2015	101,450	3,529,010	3,427,560	2.9%	2,333,060	146.9%	156,206
School OPEB	6/30/2013	\$ -	\$ 10,788,795	\$ 10,788,795	0.0%	\$ 9,445,376	114.2%	\$ 408,422
	6/30/2014	-	8,514,320	8,514,320	0.0%	9,429,531	90.3%	375,751
	6/30/2015	30,853	10,543,010	10,512,157	0.3%	9,689,202	108.5%	361,101
<b>Single-employer Plan:</b>								
Board of Regents-Retiree Health Benefit Fund	7/1/2013	\$ 217	\$ 4,095,304	\$ 4,095,087	0.0%	\$ 2,594,800	157.8%	N/A
	7/1/2014	82	4,278,445	4,279,364	0.0%	2,608,757	164.0%	N/A
	7/1/2015	281	2,657,096	2,656,815	0.0%	3,087,013	86.1%	N/A

**Multiple-employer Plans:**

The information presented relates to the cost-sharing plan as a whole, of which the State is one participating employer.

For the years presented, the State's portion contributed to the State OPEB plan represented 93%-94% of the total contributions from all employers.

For the years presented, the State's portion contributed to the School OPEB plan represented 0.56% - 0.60% of the total contributions from all employers.

**Single-employer Plan:**

Separate financial reports that include the required supplementary information for this plan are publicly available and may be obtained from the Board of Regents.





## Required Supplementary Information

### Public Entity Risk Pool

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

(dollars in thousands)

#### Claims Development Information

The table below illustrates how the State Health Benefit Plan's (SHBP) earned revenues and investment income compare to related costs of loss and other expenses assumed by the SHBP as of the end of the current fiscal year. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year). (4) This section shows the cumulative net amounts paid as of the end of the policy year. (5) This section shows how current year's net incurred claims increased or decreased as of the end of the year. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
(1) Required contribution and investment revenue earned (fiscal year)	\$ 2,366,054	\$ 2,434,392	\$ 2,267,667	\$ 2,145,197
(2) Unallocated expenses	100,532	150,939	155,501	144,515
(3) Estimated claims and expenses, end of policy year, net incurred	2,074,390	1,880,541	1,882,588	2,013,443
(4) Net paid (cumulative) as of:				
End of policy year	1,919,597	1,758,032	1,708,902	1,847,202
One year later	2,223,219	1,931,895	1,871,509	
Two years later	2,223,219	1,931,895		
Three years later <sup>1</sup>	2,223,219			
(5) Reestimated net incurred claims and expenses:				
End of policy year	2,074,390	1,880,541	1,882,588	2,013,443
One year later	2,068,566	1,879,800	1,871,599	
Two years later	2,014,054	1,934,321		
Three years later <sup>1</sup>	2,019,869			
(6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	\$ (54,521)	\$ 53,780	\$ (10,989)	\$ -

<sup>1</sup>Data not available prior to fiscal year 2013



## Required Supplementary Information Schedules of Employers' and Nonemployers' Contributions Defined Benefit Pension Plans For the Last Ten Fiscal Years (dollars in thousands)

	Year ended	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (a-b)	Covered employee payroll (c)	Contributions as a percentage of covered-employee payroll (b/c)
Employees' Retirement System <sup>1</sup>	6/30/2007	\$ 270,141	\$ 270,141	\$ -	\$ 2,680,972	10.08%
	6/30/2008	286,256	286,256	-	2,809,199	10.19%
	6/30/2009	282,103	281,206	897	2,674,155	10.52%
	6/30/2010	263,064	263,064	-	2,571,042	10.23%
	6/30/2011	261,132	261,132	-	2,486,780	10.50%
	6/30/2012	273,623	274,034	(411)	2,414,884	11.35%
	6/30/2013	358,376	358,992	(616)	2,335,773	15.37%
	6/30/2014	428,982	429,752	(770)	2,335,773	18.40%
	6/30/2015	517,220	518,163	(943)	2,353,225	22.02%
	6/30/2016	595,124	595,566	(442)	2,390,457	24.91%
Public School Employees Retirement System <sup>2</sup>	6/30/2007	6,490	6,490	-	N/A	N/A
	6/30/2008	2,869	2,869	-	N/A	N/A
	6/30/2009	5,529	5,529	-	N/A	N/A
	6/30/2010	5,530	5,530	-	N/A	N/A
	6/30/2011	7,509	7,509	-	N/A	N/A
	6/30/2012	15,884	15,884	-	N/A	N/A
	6/30/2013	24,829	24,829	-	N/A	N/A
	6/30/2014	27,160	27,160	-	N/A	N/A
	6/30/2015	28,461	28,461	-	N/A	N/A
	6/30/2016	28,580	28,580	-	N/A	N/A
Georgia Judicial Retirement System	6/30/2007	1,778	1,778	-	48,621	3.66%
	6/30/2008	2,395	2,395	-	51,102	4.69%
	6/30/2009	1,703	1,703	-	52,803	3.23%
	6/30/2010	2,600	2,600	-	51,293	5.07%
	6/30/2011	1,932	1,932	-	52,331	3.69%
	6/30/2012	2,083	2,083	-	51,898	4.01%
	6/30/2013	2,279	2,279	-	52,807	4.32%
	6/30/2014	2,375	2,375	-	54,787	4.33%
	6/30/2015	4,261	4,261	-	54,272	7.85%
	6/30/2016	7,623	7,623	-	57,401	13.28%
Teachers Retirement System of Georgia	6/30/2007	927,371	927,371	-	10,036,483	9.24%
	6/30/2008	986,759	986,759	-	10,633,179	9.28%
	6/30/2009	1,026,287	1,026,287	-	11,059,127	9.28%
	6/30/2010	1,057,416	1,057,416	-	10,856,427	9.74%
	6/30/2011	1,089,912	1,089,912	-	10,602,257	10.28%
	6/30/2012	1,082,224	1,082,224	-	10,527,471	10.28%
	6/30/2013	1,180,469	1,180,469	-	10,345,916	11.41%
	6/30/2014	1,270,963	1,270,963	-	10,349,862	12.28%
	6/30/2015	1,406,706	1,406,706	-	10,697,384	13.15%
	6/30/2016	1,580,532	1,580,532	-	11,075,907	14.27%
Peace Officers' Annuity and Benefit Fund of Georgia	6/30/2007	12,936	17,334	(4,398)	N/A	N/A
	6/30/2008	12,936	17,595	(4,659)	N/A	N/A
	6/30/2009	14,034	16,144	(2,110)	N/A	N/A
	6/30/2010	14,034	17,281	(3,247)	N/A	N/A
	6/30/2011	19,760	16,185	3,575	N/A	N/A
	6/30/2012	19,760	16,256	3,504	N/A	N/A
	6/30/2013	22,343	15,472	6,871	N/A	N/A
	6/30/2014	22,340	15,342	6,998	N/A	N/A
	6/30/2015	17,815	15,341	2,474	N/A	N/A
	6/30/2016	18,082	14,713	3,369	N/A	N/A
Georgia Firefighters' Pension Fund	6/30/2007	20,456	22,538	(2,082)	N/A	N/A
	6/30/2008	20,706	25,415	(4,709)	N/A	N/A
	6/30/2009	22,845	26,446	(3,601)	N/A	N/A
	6/30/2010	36,031	25,328	10,702	N/A	N/A
	6/30/2011	36,031	25,966	10,065	N/A	N/A
	6/30/2012	29,995	27,073	2,922	N/A	N/A
	6/30/2013	29,995	28,442	1,553	N/A	N/A
	6/30/2014	28,956	30,034	(1,078)	N/A	N/A
	6/30/2015	26,215	31,489	(5,274)	N/A	N/A
	6/30/2016	28,030	32,684	(4,654)	N/A	N/A

This data, except for annual covered payroll, was provided by each plan's actuary.

<sup>1</sup> An employer group within ERS did not contribute the full actuarially determined contribution. This employer is making additional contributions to repay this shortfall.

<sup>2</sup> No statistics regarding covered payroll are available. Contributions are not based upon members' salaries, but are simply \$4.00 per member, per month, for nine months, each fiscal year if hired prior to July 1, 2012 and \$10 per month, per member, per month, for nine months, if hired after July 1, 2012.

Schedule includes all significant plans and funds administered by the State of Georgia



**Required Supplementary Information**  
**Schedules of Employers' and Nonemployers' Net Pension Liability**  
**Defined Benefit Pension Plans**  
**For the Last Three Fiscal Years**  
(dollars in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Employees' Retirement System:</b>			
Total pension liability	\$ 17,103,987	\$ 17,019,362	\$ 17,042,149
Plan fiduciary net position	12,373,567	12,967,964	13,291,531
Employers' and nonemployers' net pension liability	<u>\$ 4,730,420</u>	<u>\$ 4,051,398</u>	<u>\$ 3,750,618</u>
Plan fiduciary net position as a percentage of the total pension liability	72.34%	76.20%	77.99%
Covered payroll	2,390,457	2,353,225	2,335,773
Employers' and nonemployers' net pension liability as a percentage of covered payroll	197.89%	172.16%	160.57%
<b>Public School Employees Retirement System:</b>			
Total pension liability	\$ 992,292	\$ 946,200	\$ 930,745
Plan fiduciary net position	803,775	823,150	821,733
Employers' and nonemployers' net pension liability	<u>\$ 188,517</u>	<u>\$ 123,050</u>	<u>\$ 109,012</u>
Plan fiduciary net position as a percentage of the total pension liability	81.00%	87.00%	88.29%
Covered payroll	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	N/A	N/A
<b>Georgia Judicial Retirement System:</b>			
Total pension liability	\$ 368,669	\$ 357,081	\$ 350,443
Plan fiduciary net position	403,011	404,852	400,790
Employers' and nonemployers' net pension (asset)	<u>\$ (34,342)</u>	<u>\$ (47,771)</u>	<u>\$ (50,347)</u>
Plan fiduciary net position as a percentage of the total pension liability	109.32%	113.38%	114.37%
Covered payroll	57,401	54,272	54,787
Employers' and nonemployers' net pension (asset) as a percentage of covered payroll	(59.84)%	(88.02)%	(91.90)%
<b>Teachers Retirement System:</b>			
Total pension liability	\$ 86,183,526	\$ 82,023,118	\$ 79,099,772
Plan fiduciary net position	65,552,411	66,799,111	66,466,091
Employers' and nonemployers' net pension liability	<u>\$ 20,631,115</u>	<u>\$ 15,224,007</u>	<u>\$ 12,633,681</u>
Plan fiduciary net position as a percentage of the total pension liability	76.06%	81.44%	84.03%
Covered payroll	11,075,907	10,697,384	10,349,862
Employers' and nonemployers' net pension liability as a percentage of covered payroll	186.27%	142.32%	122.07%
<b>Peace Officers' Annuity and Benefit Fund of Georgia:</b>			
Total pension liability	\$ 747,459	\$ 720,213	\$ 674,725
Plan fiduciary net position	689,022	703,536	698,889
Employers' and nonemployers' net pension liability/(asset)	<u>\$ 58,437</u>	<u>\$ 16,677</u>	<u>\$ (24,164)</u>
Plan fiduciary net position as a percentage of the total pension liability	92.18%	97.68%	103.58%
Covered payroll	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	N/A	N/A
<b>Georgia Firefighters' Pension Fund:</b>			
Total pension liability	\$ 970,157	\$ 923,835	\$ 848,314
Plan fiduciary net position	766,678	767,333	761,115
Employers' and nonemployers' net pension liability	<u>\$ 203,479</u>	<u>\$ 156,502</u>	<u>\$ 87,199</u>
Plan fiduciary net position as a percentage of the total pension liability	79.03%	83.06%	89.72%
Covered payroll	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	N/A	N/A

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

Schedule includes all significant plans and funds administered by the State of Georgia.



**Required Supplementary Information**  
**Schedules of Changes in Employers' and Nonemployers' Net Pension Liability**  
**Defined Benefit Pension Plans**  
**For the Last Three Fiscal Years**  
(dollars in thousands)

	2016	2015	2014
<b>Employees' Retirement System:</b>			
Total pension liability:			
Service cost	\$ 143,043	\$ 145,045	\$ 150,075
Interest	1,225,650	1,227,846	1,224,380
Differences between expected and actual experience	(238)	(53,950)	-
Changes of assumptions	70,890	-	-
Benefit payments	(1,347,633)	(1,334,278)	(1,305,998)
Refunds of contributions	(7,087)	(7,450)	(8,757)
Net change in total pension liability	84,625	(22,787)	59,700
Total pension liability-beginning	17,019,362	17,042,149	16,982,449
Total pension liability-ending (a)	17,103,987	17,019,362	17,042,149
Plan fiduciary net position:			
Contributions-employer	583,082	505,668	418,807
Contributions-nonemployer	12,484	12,495	10,945
Contributions-member	31,961	33,713	32,423
Administrative expense allotment	10	10	-
Net investment income	141,292	474,147	2,021,748
Benefit payments	(1,347,633)	(1,334,278)	(1,305,998)
Administrative expense	(8,506)	(7,872)	(7,440)
Refunds of contributions	(7,087)	(7,450)	(8,757)
Net change in plan fiduciary net position	(594,397)	(323,567)	1,161,728
Plan fiduciary net position-beginning	12,967,964	13,291,531	12,129,803
Plan fiduciary net position-ending (b)	12,373,567	12,967,964	13,291,531
Net pension liability-ending (a)-(b)	\$ 4,730,420	\$ 4,051,398	\$ 3,750,618
<b>Public School Employees Retirement System:</b>			
Total pension liability:			
Service cost	\$ 11,952	\$ 12,089	\$ 11,049
Interest	68,776	67,652	66,143
Differences between expected and actual experience	(9,483)	(6,858)	-
Changes of assumptions	33,215	-	-
Benefit payments	(57,903)	(56,972)	(56,189)
Refunds of contributions	(465)	(456)	(514)
Net change in total pension liability	46,092	15,455	20,489
Total pension liability-beginning	946,200	930,745	910,256
Total pension liability-ending (a)	992,292	946,200	930,745
Plan fiduciary net position:			
Contributions-nonemployer	28,580	28,461	27,160
Contributions-member	1,925	1,800	1,659
Net investment income	9,809	30,129	123,799
Benefit payments	(57,903)	(56,972)	(56,189)
Administrative expense	(1,321)	(1,545)	(1,450)
Refunds of contributions	(465)	(456)	(514)
Net change in plan fiduciary net position	(19,375)	1,417	94,465
Plan fiduciary net position-beginning	823,150	821,733	727,268
Plan fiduciary net position-ending (b)	803,775	823,150	821,733
Net pension liability-ending (a)-(b)	\$ 188,517	\$ 123,050	\$ 109,012

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

Schedule includes all significant plans and funds administered by the State of Georgia



## Required Supplementary Information

### Schedules of Changes in Employers' and Nonemployers' Net Pension Liability

#### Defined Benefit Pension Plans

#### For the Last Three Fiscal Years

(dollars in thousands)

	2016	2015	2014
<b>Georgia Judicial Retirement System:</b>			
Total pension liability:			
Service cost	\$ 12,713	\$ 7,751	\$ 7,584
Interest	26,058	25,566	24,530
Differences between expected and actual experience	(3,603)	(7,542)	-
Changes of assumptions	(4,308)	-	-
Benefit payments	(19,011)	(18,365)	(17,441)
Refunds of contributions	(261)	(772)	(22)
Net change in total pension liability	11,588	6,638	14,651
Total pension liability-beginning	357,081	350,443	335,792
Total pension liability-ending (a)	368,669	357,081	350,443
Plan fiduciary net position:			
Contributions-employer	4,754	2,696	1,373
Contributions-nonemployer	2,869	1,564	1,002
Contributions-member	5,507	5,061	4,731
Net investment income	5,055	14,697	60,012
Benefit payments	(19,011)	(18,365)	(17,441)
Administrative expense	(754)	(819)	(754)
Refunds of contributions	(261)	(772)	(22)
Net change in plan fiduciary net position	(1,841)	4,062	48,901
Plan fiduciary net position-beginning	404,852	400,790	351,889
Plan fiduciary net position-ending (b)	403,011	404,852	400,790
Net pension (asset)-ending (a)-(b)	\$ (34,342)	\$ (47,771)	\$ (50,347)
<b>Teachers Retirement System:</b>			
Total pension liability:			
Service cost	\$ 1,435,808	\$ 1,386,498	\$ 1,374,556
Interest	5,990,178	5,779,597	5,557,046
Differences between expected and actual experience	380,526	(165,785)	-
Changes of assumptions	662,047	-	-
Benefit payments	(4,228,819)	(3,996,879)	(3,764,452)
Refunds of contributions	(79,334)	(80,083)	(87,095)
Net change in total pension liability	4,160,406	2,923,348	3,080,055
Total pension liability-beginning	82,023,120	79,099,772	76,019,717
Total pension liability-ending (a)	86,183,526	82,023,120	79,099,772
Plan fiduciary net position:			
Contributions-employer	1,572,624	1,399,668	1,264,546
Contributions-nonemployer	7,908	7,038	6,417
Contributions-member	685,626	661,835	640,120
Net investment income	810,574	2,384,145	9,826,743
Benefit payments	(4,228,819)	(3,994,593)	(3,764,452)
Administrative expense	(15,281)	(17,282)	(15,025)
Refunds of contributions	(79,334)	(80,085)	(87,095)
Net change in plan fiduciary net position	(1,246,702)	360,726	7,871,254
Plan fiduciary net position-beginning	66,799,113	66,438,387	58,594,837
Plan fiduciary net position-ending (b)	65,552,411	66,799,113	66,466,091
Net pension liability-ending (a)-(b)	\$ 20,631,115	\$ 15,224,007	\$ 12,633,681

(continued)

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

Schedule includes all significant plans and funds administered by the State of Georgia



## Required Supplementary Information

### Schedules of Changes in Employers' and Nonemployers' Net Pension Liability

#### Defined Benefit Pension Plans

#### For the Last Three Fiscal Years

(dollars in thousands)

	2016	2015	2014
<b>Peace Officers' Annuity and Benefit Fund of Georgia:</b>			
Total pension liability:			
Service cost	\$ 12,827	\$ 13,085	\$ 17,890
Interest	50,241	47,138	43,877
Benefit changes	-	-	-
Differences between expected and actual experience	(4,688)	-	-
Changes of assumptions	-	14,577	-
Benefit payments	(30,721)	(28,879)	(27,263)
Refunds of contributions	(413)	(433)	(437)
Net change in total pension liability	27,246	45,488	34,067
Total pension liability-beginning	720,213	674,725	640,658
Total pension liability-ending (a)	747,459	720,213	674,725
Plan fiduciary net position:			
Fines and Bond Forfeitures	14,713	15,341	15,342
Contributions-member	3,527	3,537	3,532
Net investment income	(836)	15,771	103,600
Benefit payments	(30,721)	(28,879)	(27,263)
Miscellaneous	66	65	90
Administrative expense	(849)	(755)	(730)
Refunds of contributions	(413)	(433)	(437)
Net change in plan fiduciary net position	(14,513)	4,647	94,134
Plan fiduciary net position-beginning	703,535	698,889	604,755
Plan fiduciary net position-ending (b)	689,022	703,536	698,889
Net pension liability (asset)-ending (a)-(b)	\$ 58,437	\$ 16,677	\$ (24,164)
<b>Georgia Firefighters' Pension Fund:</b>			
Total pension liability:			
Service cost	\$ 19,398	\$ 18,377	\$ 17,889
Interest	54,164	53,833	51,850
Benefit changes	14,201	-	-
Differences between expected and actual experience	771	(11,448)	-
Changes of assumptions	-	54,973	-
Benefit payments	(41,562)	(39,379)	(37,530)
Refunds of contributions	(650)	(835)	(694)
Net change in total pension liability	46,322	75,521	31,515
Total pension liability-beginning	923,835	848,314	816,799
Total pension liability-ending (a)	970,157	923,835	848,314
Plan fiduciary net position:			
Insurance Company Premium Taxes	32,684	31,489	30,034
Contributions-member	3,970	3,896	3,836
Net investment income	5,973	12,080	111,715
Benefit payments	(41,562)	(39,379)	(37,530)
Administrative expense	(1,362)	(1,329)	(1,209)
Refunds of contributions	(651)	(835)	(693)
Other	293	296	332
Net change in plan fiduciary net position	(655)	6,218	106,485
Plan fiduciary net position-beginning	767,333	761,115	654,630
Plan fiduciary net position-ending (b)	766,678	767,333	761,115
Net pension liability-ending (a)-(b)	\$ 203,479	\$ 156,502	\$ 87,199

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

Schedule includes all significant plans and funds administered by the State of Georgia



**Required Supplementary Information**  
**Schedules of Investment Returns**  
**Defined Benefit Pension Plans**  
**For the Last Three Fiscal Years**  
(dollars in thousands)

	Annual money-weighted rate of return, net of investment expense		
	2016	2015	2014
Pooled Investment Fund (ERS):			
Employees' Retirement System	(7.23)%	(5.32)%	(5.95)%
Public School Employees Retirement System			
Georgia Judicial Retirement System			
Teachers Retirement System	(2.92)%	(0.45)%	12.17%
Peace Officers' Annuity and Benefit Fund of Georgia	0.08%	2.53%	18.49%
Georgia Firefighters' Pension Fund	0.96%	1.23%	17.60%

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

Schedule includes all significant plans and funds administered by the State of Georgia



## **Required Supplementary Information**

### **Notes to Required Supplementary Information**

#### **Defined Benefit Pension Plans**

#### **Methods and Assumptions**

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

#### **Actuarial Methods and Assumptions**

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of actuarially determined contributions.

#### **Employees' Retirement System**

*Changes of benefit terms:* A new benefit tier was added for members joining the System on and after July 1, 2009.

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

#### **Public School Employees Retirement System**

*Changes of benefit terms:* The member contribution rate was increased from \$4 to \$10 per month for members joining the System on or after July 1, 2012.

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

#### **Georgia Judicial Retirement System**

*Changes of benefit terms:* Spouses benefits were changed for members joining the System on or after July 1, 2012.

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

#### **Teachers Retirement System**

*Changes of assumptions:* On December 18, 2015, the Board adopted recommend changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal, and salary increases.





## **Required Supplementary Information Notes to Required Supplementary Information Defined Benefit Pension Plans Methods and Assumptions For the Fiscal Year Ended June 30, 2016**

### **Peace Officers' Annuity and Benefit Fund of Georgia**

*Changes of benefit terms:* There have been no changes in benefit terms.

*Change in assumptions:* For fiscal year 2015, the RP 2014 Healthy Mortality Table with blue collar adjustment and generational mortality projection using Scale MP 2014 for health lives and RP 2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP 2014 for disabled lives, were used.

### **Georgia Firefighters' Pension Fund**

*Changes of benefit terms:* In 2013, membership dues were increased from \$15 per month to \$25 per month.

*Change in assumptions:* In 2015 the following changes were made:

- The assumed investment rate of return was lowered from 6.5% to 6.0%.
- The assumed rate of inflation was lowered from 3.0% to 2.75%
- Rates of withdrawal and retirement were adjusted to more closely reflect actual experience.
- Rates of mortality were adjusted during the most recent experience study. Pre-retirement mortality rates were changed to the RP 2000 employee mortality table projected to 2025 with projection scale BB. Post-retirement mortality rates were changed to the RP 2000 blue collar mortality table projected to 2025 with projection scale BB. Post-disability mortality rates were changed to the RP 2000 disabled mortality table projected to 2025 with projection scale BB.

In 2013, a funding policy was adopted which changes the amortization period of the unfunded actuarial accrued liability from 15 to 30 years.



**Required Supplementary Information**  
**Notes to Required Supplementary Information**  
**Defined Benefit Pension Plans**  
**Methods and Assumptions**  
**For the Fiscal Year Ended June 30, 2016**

*Methods and assumptions used in calculations of actuarially determined contributions:* The actuarially determined contribution rates in the schedules of employers' and non-employers' contributions are calculated as of June 30, one to 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 most recent contribution rates in those schedules:

	<u>ERS</u>	<u>GJRS</u>
Valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of pay, closed
Remaining amortization period	25 years	20 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.00%	3.00%
Salary increases:	5.45 - 9.25%	6.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation
	<u>PSERS</u>	<u>TRS</u>
Valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of payroll, closed
Remaining amortization period	25 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.00%	3.00%
Salary increases	N/A	3.75 - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation
	<u>Peace Officers'</u>	<u>Firefighters'</u>
Valuation date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	29.1 years
Asset valuation method	Actuarial value	5-year smoothed market with 15% corridor
Inflation	3.00%	2.75%
Salary increases	N/A	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation	6.00%, net of pension plan investment expense, including inflation

Schedule includes all significant plans and funds administered by the State of Georgia



## Required Supplementary Information

### Schedules of State's Contributions - As Employer

### Defined Benefit Pension Plans

### For the Last Two Fiscal Years

(dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>Primary Government</b>		
<b>Employees' Retirement System:</b>		
Statutorily required contribution	\$ 505,411	\$ 440,602
Contributions in relation to the statutorily required contribution	(505,411)	(440,602)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 2,103,422	\$ 1,875,953
Contributions as a percentage of the covered payroll	24.03%	23.49%
<b>Georgia Judicial Retirement System:</b>		
Statutorily required contribution	\$ 4,134	\$ 2,209
Contributions in relation to the statutorily required contribution	(4,134)	(2,209)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 33,710	\$ 31,184
Contributions as a percentage of the covered payroll	12.26%	7.08%
<b>Teachers Retirement System:</b>		
Statutorily required contribution	\$ 261,758	\$ 230,939
Contributions in relation to the statutorily required contribution	(261,758)	(230,939)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 1,832,311	\$ 1,756,586
Contributions as a percentage of the covered payroll	14.29%	13.15%
<b>Component Units</b>		
<b>Employees' Retirement System:</b>		
Statutorily required contribution	\$ 9,425	\$ 8,304
Contributions in relation to the statutorily required contribution	(9,425)	(8,304)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 39,238	\$ 35,265
Contributions as a percentage of the covered payroll	24.02%	23.55%
<b>Teachers Retirement System:</b>		
Statutorily required contribution	\$ 8,616	\$ 8,231
Contributions in relation to the statutorily required contribution	(8,616)	(8,231)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	63,339	62,558
Contributions as a percentage of the covered payroll	13.60%	13.16%

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

Schedule includes all significant plans and funds administered by the State of Georgia



**Required Supplementary Information**  
**Schedules of State's Contributions - As Nonemployer Contributing Entity**  
**Defined Benefit Pension Plans**  
**For the Last Two Fiscal Years**  
(dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>Employees' Retirement System:</b>		
Statutorily required contribution	\$ 12,138	\$ 11,174
Contributions in relation to the statutorily required contribution	(12,138)	(11,174)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
<b>Public School Employees Retirement System:</b>		
Statutorily required contribution	\$ 28,580	\$ 28,461
Contributions in relation to the statutorily required contribution	(28,580)	(28,461)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
<b>Georgia Judicial Retirement System:</b>		
Statutorily required contribution	\$ 2,902	\$ 1,558
Contributions in relation to the statutorily required contribution	(2,902)	(1,558)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
<b>Teachers Retirement System:</b>		
Statutorily required contribution	\$ 7,944	\$ 7,038
Contributions in relation to the statutorily required contribution	(7,944)	(7,038)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
<b>Peace Officers' Annuity and Benefit Fund of Georgia</b>		
Statutorily required contribution	\$ 14,713	\$ 15,341
Contributions in relation to the statutorily required contribution	(14,713)	(15,341)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
<b>Georgia Firefighters' Pension Fund:</b>		
Statutorily required contribution	\$ 32,684	\$ 31,489
Contributions in relation to the statutorily required contribution	(32,684)	(31,489)
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>

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

Schedule includes all significant plans and funds administered by the State of Georgia



## Required Supplementary Information

### Schedules of State's Proportionate Share of the Net Pension Liability - As Employer Defined Benefit Pension Plans For the Last Two Fiscal Years (dollars in thousands)

	<u>2016</u>	<u>2015</u>
<b>Primary Government</b>		
<b>Employees' Retirement System:</b>		
State's proportion of the net pension liability	87.682412%	87.266834%
State's proportionate share of the net pension liability	\$ 3,552,363	\$ 3,273,046
State's Covered payroll	\$ 1,875,953	\$ 1,615,070
State's proportionate share of the net pension liability as a percentage of its covered payroll	189.36%	202.66%
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%
<b>Georgia Judicial Retirement System:</b>		
State's proportion of the net pension asset	58.635878%	57.356971%
State's proportionate share of the net pension asset	\$ (28,011)	\$ (28,878)
State's Covered payroll	\$ 31,184	\$ 29,887
State's proportionate share of the net pension asset as a percentage of its covered payroll	(89.82%)	(96.62)%
Plan fiduciary net position as a percentage of the total pension liability	113.38%	114.37%
<b>Teachers Retirement System:</b>		
State's proportion of the net pension liability	16.687812%	16.517474%
State's proportionate share of the net pension liability	\$ 2,540,211	\$ 2,086,629
State's Covered payroll	\$ 1,756,586	\$ 1,683,292
State's proportionate share of the net pension liability as a percentage of its covered payroll	144.61%	123.96%
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%
<b>Component Units</b>		
<b>Employees' Retirement System:</b>		
State's proportion of the net pension liability	1.557127%	1.543905%
State's proportionate share of the net pension liability	\$ 63,085	\$ 57,906
State's Covered payroll	\$ 35,265	\$ 28,075
State's proportionate share of the net pension liability as a percentage of its covered payroll	178.89%	206.25%
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%
<b>Teachers Retirement System:</b>		
State's proportion of the net pension liability	0.564109%	0.590520%
State's proportionate share of the net pension liability	\$ 85,798	\$ 74,604
State's Covered payroll	\$ 62,558	\$ 60,180
State's proportionate share of the net pension liability as a percentage of its covered payroll	137.15%	123.97%
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%

The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

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

Schedule includes all significant plans and funds administered by the State of Georgia



**Required Supplementary Information**  
**Schedules of State's Proportionate Share of the Net Pension Liability -**  
**As Nonemployer Contributing Entity**  
**Defined Benefit Pension Plans**  
**For the Last Two Fiscal Years**  
**(dollars in thousands)**

	<u>2016</u>	<u>2015</u>
<b>Employees' Retirement System:</b>		
State's proportion of the net pension liability (asset)	2.225584%	2.410713%
State's proportionate share of the net pension liability (asset)	\$ 90,167	\$ 90,417
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%
<b>Public School Employees Retirement System:</b>		
State's proportion of the net pension liability (asset)	100.000000%	100.000000%
State's proportionate share of the net pension liability (asset)	\$ 123,050	\$ 109,012
Plan fiduciary net position as a percentage of the total pension liability	87.00%	88.29%
<b>Georgia Judicial Retirement System:</b>		
State's proportion of the net pension liability (asset)	41.364122%	42.643029%
State's proportionate share of the net pension liability (asset)	\$ (19,760)	\$ (21,469)
Plan fiduciary net position as a percentage of the total pension liability	113.38%	114.37%
<b>Teachers Retirement System:</b>		
State's proportion of the net pension liability (asset)	0.507036%	0.504588%
State's proportionate share of the net pension liability (asset)	\$ 77,191	\$ 63,748
Plan fiduciary net position as a percentage of the total pension liability	81.44%	84.03%
<b>Peace Officers' Annuity and Benefit Fund of Georgia:</b>		
State's proportion of the net pension liability (asset)	100.000000%	100.000000%
State's proportionate share of the net pension liability (asset)	\$ 12,295	\$ (25,230)
Plan fiduciary net position as a percentage of the total pension liability	98.28%	103.75%
<b>Georgia Firefighters' Pension Fund:</b>		
State's proportion of the net pension liability (asset)	100.000000%	100.000000%
State's proportionate share of the net pension liability (asset)	\$ 156,502	\$ 87,199
Plan fiduciary net position as a percentage of the total pension liability	83.06%	89.72%

The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

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

Schedule includes all significant plans and funds administered by the State of Georgia

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COMBINING AND INDIVIDUAL  
FUND STATEMENTS

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## NONMAJOR GOVERNMENTAL FUNDS

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## Description of Nonmajor Governmental Funds

### SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The State's special revenue funds, other than the Transportation Investment Act Fund, include the blended component units that conduct general governmental functions as described below:

The **Georgia Aviation Authority** was created to provide oversight and efficient operation of state aircrafts and aviation operations, and ensure the safety of state air travelers and aviation property.

The **Georgia Economic Development Foundation, Inc.** is a legally separate nonprofit corporation organized to assist the Department of Economic Development in its activities promoting the economic development of the State of Georgia.

The **Governor's Defense Initiative, Inc.** is a legally separate nonprofit corporation organized to promote economic development and workforce training at Georgia's military base establishments and their surrounding communities.

The **Georgia Natural Resources Foundation** is a legally separate nonprofit organization created to support the Georgia Department of Natural Resources by providing funding and assistance to enhance natural resource conservation, historic preservation, environmental education, and outdoor recreation.

The **State Road and Tollway Authority** is a legally separate public corporation created to construct, operate and manage a system of roads, bridges and tunnels and facilities related thereto.

The **Georgia Tourism Foundation** is a legally separate nonprofit corporation organized to lessen the government burden in promoting tourism by soliciting contributions for the State-wide Tourism Marketing Program.

The **Transportation Investment Act Fund (TIA)** accounts for funds collected by the State and dispensed to the Department of Transportation for TIA projects in the relevant special tax districts.

### DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal and interest.

The **General Obligation Debt Sinking Fund** accounts for the payment of principal and interest on the State's general long-term debt.

The **State Road and Tollway Authority Debt Service Fund** accounts for the payment of principal and interest on the debt of the Authority's governmental funds. The Authority issues bonded debt which finances State transportation infrastructure construction. Debt service payments due on outstanding bonds are paid by the Authority from redirected funds from the U. S. Department of Transportation and/or State motor fuel tax funds.



### PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The State's nonmajor permanent fund is described below:

The **Pupils Trust Fund - Georgia Academy for the Blind** is used to account for principal trust amounts received and related interest income. The interest portion of the trust may be used for student activities at Georgia Academy for the Blind.

# State of Georgia

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016 (dollars in thousands)

				Special Revenue
	Georgia Aviation Authority	Georgia Economic Development Foundation, Inc.	Governor's Defense Initiative, Inc.	Georgia Natural Resources Foundation
<b>Assets</b>				
Cash and Cash Equivalents	\$ 127	\$ 473	\$ 348	\$ 1,040
Investments	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Funds	-	-	-	-
Inventories	-	-	-	-
Restricted Assets				
Cash and Cash Equivalents	-	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 127</u>	<u>\$ 473</u>	<u>\$ 348</u>	<u>\$ 1,040</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable and Other Accruals	\$ 95	\$ -	\$ -	\$ 116
Due to Other Funds	-	-	-	-
Contracts Payable	-	-	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	<u>95</u>	<u>-</u>	<u>-</u>	<u>116</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Unrestricted				
Assigned	<u>32</u>	<u>473</u>	<u>348</u>	<u>924</u>
Total Fund Balances	<u>32</u>	<u>473</u>	<u>348</u>	<u>924</u>
Total Liabilities and Fund Balances	<u>\$ 127</u>	<u>\$ 473</u>	<u>\$ 348</u>	<u>\$ 1,040</u>



							Debt Service	
State Road and Tollway Authority	Georgia Tourism Foundation	Transportation Investment Act Fund	General Obligation Debt Sinking Fund	State Road and Tollway Authority	Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total		
\$ 40,410	\$ 147	\$ 37,210	\$ -	\$ -	\$ 14	\$ 79,769		
-	-	175,219	-	-	-	175,219		
17,519	-	8,891	-	-	-	26,410		
4,888	-	-	-	-	-	4,888		
120	-	-	-	-	-	120		
143,628	-	-	-	116	-	143,744		
2	-	-	-	-	-	2		
<u>\$ 206,567</u>	<u>\$ 147</u>	<u>\$ 221,320</u>	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 14</u>	<u>\$ 430,152</u>		
\$ 3,128	\$ -	\$ 7,444	\$ -	\$ 2	\$ -	\$ 10,785		
-	-	20,751	-	-	-	20,751		
45,136	-	2,046	-	-	-	47,182		
16,599	-	-	-	-	-	16,599		
<u>64,863</u>	<u>-</u>	<u>30,241</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>95,317</u>		
122	-	-	-	-	14	136		
101,605	-	191,079	-	116	-	292,800		
39,977	147	-	-	(2)	-	41,899		
<u>141,704</u>	<u>147</u>	<u>191,079</u>	<u>-</u>	<u>114</u>	<u>14</u>	<u>334,835</u>		
<u>\$ 206,567</u>	<u>\$ 147</u>	<u>\$ 221,320</u>	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 14</u>	<u>\$ 430,152</u>		

# State of Georgia

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Georgia Aviation Authority	Georgia Economic Development Foundation, Inc.	Governor's Defense Initiative, Inc.	Special Revenue Georgia Natural Resources Foundation
<b>Revenues</b>				
Intergovernmental - Other	\$ -	\$ -	\$ -	\$ -
Sales and Services	35	180	-	-
Interest and Other Investment Income	-	1	-	1
Other	-	179	250	1,378
	-	179	250	1,378
Total Revenues	35	360	250	1,379
<b>Expenditures</b>				
Transportation	-	-	-	-
Economic Development and Assistance	852	431	317	-
Conservation	-	-	-	646
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Other Debt Service Expenditures	-	-	-	-
	-	-	-	-
Total Expenditures	852	431	317	646
Excess (Deficiency) of Revenues Over (Under) Expenditures	(817)	(71)	(67)	733
<b>Other Financing Sources (Uses)</b>				
Debt Issuance - Refunding Bonds	-	-	-	-
Debt Issuance - Other	-	-	-	-
Debt Issuance - Refunding Bonds - Premium	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	794	-	-	-
Transfers Out	-	-	-	(251)
	-	-	-	(251)
Net Other Financing Sources (Uses)	794	-	-	(251)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(23)	(71)	(67)	482
Fund Balances, July 1 - Restated (Note 3)	55	544	415	442
Fund Balances, June 30	\$ 32	\$ 473	\$ 348	\$ 924



State Road and Tollway Authority	Georgia Tourism Foundation	Transportation Investment Act Fund	Debt Service		Permanent Pupils Trust Fund - Georgia Academy for the Blind	Total
			General Obligation Debt Sinking Fund	State Road and Tollway Authority		
\$ -	\$ -	\$ 106,928	\$ -	\$ -	\$ -	\$ 106,928
-	440	-	-	-	-	655
1,084	1	1,138	-	32	-	2,257
22,275	-	-	-	-	-	24,082
<u>23,359</u>	<u>441</u>	<u>108,066</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>133,922</u>
221,983	-	-	-	52	-	222,035
-	790	50,961	-	-	-	53,351
-	-	-	-	-	-	646
-	-	-	802,460	185,685	-	988,145
-	-	-	396,085	53,564	-	449,649
97	-	-	406	-	-	503
<u>222,080</u>	<u>790</u>	<u>50,961</u>	<u>1,198,951</u>	<u>239,301</u>	<u>-</u>	<u>1,714,329</u>
<u>(198,721)</u>	<u>(349)</u>	<u>57,105</u>	<u>(1,198,951)</u>	<u>(239,269)</u>	<u>-</u>	<u>(1,580,407)</u>
-	-	-	275,985	-	-	275,985
16,300	-	-	-	-	-	16,300
-	-	-	26,743	-	-	26,743
-	-	-	(302,322)	-	-	(302,322)
199,546	-	-	1,198,545	233,705	-	1,632,590
(51)	-	(55,482)	-	-	-	(55,784)
<u>215,795</u>	<u>-</u>	<u>(55,482)</u>	<u>1,198,951</u>	<u>233,705</u>	<u>-</u>	<u>1,593,512</u>
17,074	(349)	1,623	-	(5,564)	-	13,105
<u>124,630</u>	<u>496</u>	<u>189,456</u>	<u>-</u>	<u>5,678</u>	<u>14</u>	<u>321,730</u>
<u>\$ 141,704</u>	<u>\$ 147</u>	<u>\$ 191,079</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 14</u>	<u>\$ 334,835</u>





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# INTERNAL SERVICE FUNDS

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## Description of Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The State's internal service funds are described below:

The **Department of Administrative Services** delivers a variety of supportive services to all state agencies and, upon request, to local governments in Georgia. Among the services provided are purchasing (procurement), surplus property transactions, document services, fleet management, and human resources administration.

The **Georgia Building Authority** is responsible for all services associated with the management of State office buildings, maintaining the grounds within the State Capitol complex, maintaining the Governor's Mansion and operating parking facilities.

The **Georgia Correctional Industries Administration** utilizes the inmate work force to manufacture products and provide services for the penal system, other units of state government and local governments.

The **Risk Management** column is an accumulation of the funds used to account for the State's self-insurance programs established by individual agreement, statute or administrative action:

The **Liability Insurance Fund** is used to account for the accumulation of funds for the purpose of providing liability insurance coverage for employees of the State against personal liability for damages arising out of performance of their duties.

The **Property Insurance Fund** is used to account for the assessment of premiums against various state agencies for the purpose of providing property, fire and extended coverage, automobile, aircraft and marine insurance.

The **State Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any law enforcement officer, fireman or prison guard killed in the line of duty.

The **Supplemental Pay Fund** was created to provide a program of compensation for law enforcement officers who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty and caused by a willful act of violence and for firefighters who become physically disabled, but not permanently disabled, as a result of physical injury incurred in the line of duty while fighting a fire. This program, not to exceed a 12 month period, shall entitle an injured law enforcement officer or firefighter to receive monthly compensation in an amount equal to such person's regular compensation for the period of time that the person is physically unable to perform the required duties of employment.

The **Teacher Indemnification Fund** is used to account for the accumulation of funds for the purpose of providing indemnification with respect to the death of any public school employees killed or permanently disabled by an act of violence in the line of duty on or after July 1, 2001.



## Description of Internal Service Funds

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The **Unemployment Compensation Fund** was created for the purpose of consolidating processing of unemployment compensation claims against state agencies and the payment of sums due to the Department of Labor.

The **Workers' Compensation Fund** was established to authorize insurance coverage for employees of the State and for the receipt of premiums as prescribed by the Workers' Compensation statutes of the State.

The **Georgia Technology Authority** was created to provide technology enterprise management and technology portfolio management to state and local governments.

# State of Georgia

## Combining Statement of Net Position

### Internal Service Funds

June 30, 2016

(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 4,681	\$ 30,217	\$ 2,415
Investments	-	-	-
Accounts Receivable (Net)	261	656	4,204
Due from Other Funds	-	-	-
Due from Component Units	-	-	-
Other Assets	-	451	16,394
<b>Noncurrent Assets:</b>			
Investments	-	-	-
Capital Assets:			
Land	-	19,290	44
Buildings and Building Improvements	-	504,087	12,806
Improvements Other Than Buildings	-	7,440	-
Machinery and Equipment	368	6,620	29,913
Software	-	-	-
Works of Art and Collections	-	1,274	-
Accumulated Depreciation	(368)	(294,588)	(35,318)
<b>Total Assets</b>	<b>4,942</b>	<b>275,447</b>	<b>30,458</b>
<b>Deferred Outflows of Resources</b>	<b>746</b>	<b>1,665</b>	<b>1,751</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Other Accruals	113	2,194	2,197
Due to Other Funds	-	875	-
Unearned Revenue	-	125	-
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	756	438
Capital Leases Payable	-	4,623	-
Other Current Liabilities	1,053	-	3,711
<b>Noncurrent Liabilities:</b>			
Compensated Absences Payable	-	-	932
Capital Leases Payable	-	46,047	-
Net Pension Liability	4,389	11,099	11,869
Other Noncurrent Liabilities	-	-	-
<b>Total Liabilities</b>	<b>5,555</b>	<b>65,719</b>	<b>19,147</b>
<b>Deferred Inflows of Resources</b>	<b>380</b>	<b>1,110</b>	<b>1,283</b>
<b>Net Position</b>			
Net Investment in Capital Assets	-	193,455	7,444
Unrestricted	(247)	16,828	4,335
<b>Total Net Position</b>	<b>\$ (247)</b>	<b>\$ 210,283</b>	<b>\$ 11,779</b>



Risk Management (see combining)	Georgia Technology Authority	Total
\$ 32,591	\$ 40,709	\$ 110,613
13,385	-	13,385
59,233	10,055	74,409
560,175	13,132	573,307
-	90	90
-	1	16,846
59,364	-	59,364
-	13	19,347
-	562	517,455
-	-	7,440
-	40,255	77,156
-	55,079	55,079
-	-	1,274
-	(93,744)	(424,018)
<u>724,748</u>	<u>66,152</u>	<u>1,101,747</u>
<u>429</u>	<u>4,036</u>	<u>8,627</u>
399	39,371	44,274
-	-	875
-	-	125
639,843	-	639,843
-	857	2,051
-	-	4,623
13	3,233	8,010
-	1,854	2,786
-	-	46,047
2,706	22,949	53,012
-	15,387	15,387
<u>642,961</u>	<u>83,651</u>	<u>817,033</u>
<u>234</u>	<u>3,214</u>	<u>6,221</u>
-	2,164	203,063
<u>81,982</u>	<u>(18,841)</u>	<u>84,057</u>
<u>\$ 81,982</u>	<u>\$ (16,677)</u>	<u>\$ 287,120</u>

# State of Georgia

## Combining Statement of Revenues, Expenses, and Changes in Net Position

### Internal Service Funds

For the Fiscal Year Ended June 30, 2016

(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
<b>Operating Revenues:</b>			
Contributions/Premiums	\$ -	\$ -	\$ -
Rents and Royalties	-	55,631	-
Sales and Services	6,971	3,374	70,807
Other	5,607	67	324
Total Operating Revenues	<u>12,578</u>	<u>59,072</u>	<u>71,131</u>
<b>Operating Expenses:</b>			
Personal Services	3,983	9,994	11,810
Services and Supplies	7,524	33,781	54,060
Claims and Judgments	-	-	-
Depreciation	-	22,729	1,680
Total Operating Expenses	<u>11,507</u>	<u>66,504</u>	<u>67,550</u>
Operating Income (Loss)	<u>1,071</u>	<u>(7,432)</u>	<u>3,581</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest and Other Investment Income	4	88	474
Other	-	(129)	-
Total Nonoperating Revenues (Expenses)	<u>4</u>	<u>(41)</u>	<u>474</u>
Income (Loss) Before Contributions and Transfers	<u>1,075</u>	<u>(7,473)</u>	<u>4,055</u>
Capital Contributions	-	5,180	-
Transfers:			
Transfers In	-	-	-
Transfers Out	-	-	-
Net Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,075	(2,293)	4,055
Net Position, July 1 - Restated (Note 3)	<u>(1,322)</u>	<u>212,576</u>	<u>7,724</u>
Net Position, June 30	<u>\$ (247)</u>	<u>\$ 210,283</u>	<u>\$ 11,779</u>



Risk Management (see combining)	Georgia Technology Authority	Total
\$ 209,508	\$ -	\$ 209,508
-	-	55,631
17	259,784	340,953
-	-	5,998
<u>209,525</u>	<u>259,784</u>	<u>612,090</u>
2,817	21,829	50,433
28,589	232,368	356,322
184,295	-	184,295
-	2,093	26,502
<u>215,701</u>	<u>256,290</u>	<u>617,552</u>
<u>(6,176)</u>	<u>3,494</u>	<u>(5,462)</u>
1,837	64	2,467
9,398	(37)	9,232
<u>11,235</u>	<u>27</u>	<u>11,699</u>
<u>5,059</u>	<u>3,521</u>	<u>6,237</u>
<u>-</u>	<u>-</u>	<u>5,180</u>
430	1,000	1,430
-	(2,362)	(2,362)
<u>430</u>	<u>(1,362)</u>	<u>(932)</u>
5,489	2,159	10,485
<u>76,493</u>	<u>(18,836)</u>	<u>276,635</u>
<u>\$ 81,982</u>	<u>\$ (16,677)</u>	<u>\$ 287,120</u>

# State of Georgia

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 2,604	\$ 7,206	\$ 11,374
Cash Received from Other Funds (Internal Activity)	10,247	52,963	58,761
Cash Received from Required Contributions/Premiums	-	-	-
Cash Received from Required Contributions/Premiums (Internal Activity)	-	-	-
Cash Paid to Vendors	(9,184)	(34,150)	(55,685)
Cash Paid to Employees	(4,307)	(11,196)	(13,236)
Cash Paid for Claims and Judgments	-	-	-
Other Operating Receipts	659	-	-
Other Operating Payments	-	-	-
	<u>19</u>	<u>14,823</u>	<u>1,214</u>
Net Cash Provided by (Used in) Operating Activities			
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	-	-
Other Noncapital Receipts	-	-	-
Other Noncapital Payments	-	(112)	-
	<u>-</u>	<u>(112)</u>	<u>-</u>
Net Cash Provided by (Used in) Noncapital Financing Activities			
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital Contributions	-	3,859	-
Proceeds from Sale of Capital Assets	-	21	-
Acquisition and Construction of Capital Assets	-	(5,525)	(1,638)
Principal Paid on Capital Debt	-	(9,207)	-
	<u>-</u>	<u>(10,852)</u>	<u>(1,638)</u>
Net Cash Used in Capital and Related Financing Activities			
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sales of Investments	-	-	-
Purchase of Investments	-	-	-
Interest and Dividends Received	4	88	474
	<u>4</u>	<u>88</u>	<u>474</u>
Net Cash Provided by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	23	3,947	50
Cash and Cash Equivalents, July 1 - Restated (Note 3)	4,658	26,270	2,365
Cash and Cash Equivalents, June 30	<u>\$ 4,681</u>	<u>\$ 30,217</u>	<u>\$ 2,415</u>





Risk Management (see combining)	Georgia Technology Authority	Total
\$ 17	\$ 39,254	\$ 60,455
-	218,132	340,103
15,510	-	15,510
140,060	-	140,060
(28,496)	(225,829)	(353,344)
(2,622)	(23,954)	(55,315)
(152,171)	-	(152,171)
-	-	659
-	(267)	(267)
<u>(27,702)</u>	<u>7,336</u>	<u>(4,310)</u>
430	1,000	1,430
-	(2,362)	(2,362)
9,398	-	9,398
-	(3,120)	(3,232)
<u>9,828</u>	<u>(4,482)</u>	<u>5,234</u>
-	-	3,859
-	-	21
-	-	(7,163)
-	-	(9,207)
<u>-</u>	<u>-</u>	<u>(12,490)</u>
71,405	-	71,405
(72,522)	-	(72,522)
1,611	64	2,241
<u>494</u>	<u>64</u>	<u>1,124</u>
(17,380)	2,918	(10,442)
<u>49,971</u>	<u>37,791</u>	<u>121,055</u>
<u>\$ 32,591</u>	<u>\$ 40,709</u>	<u>\$ 110,613</u>

(continued)

# State of Georgia

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
<b>Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:</b>			
Operating Income (Loss)	\$ 1,071	\$ (7,432)	\$ 3,581
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>			
Depreciation Expense	-	22,729	1,680
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Accounts Receivable	272	1,192	(995)
Due from Other Funds	-	-	-
Due from Component Units	-	-	-
Other Assets	-	8	(3,160)
Deferred Outflows of Resources	108	(239)	(275)
Accounts Payable and Other Accruals	(1,663)	(217)	(2,299)
Due to Other Funds	-	(162)	(2)
Unearned Revenue	-	(95)	-
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	(21)	44
Net Pension Liability	213	530	436
Other Liabilities	662	-	3,711
Deferred Inflows of Resources	(644)	(1,470)	(1,507)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 19</u>	<u>\$ 14,823</u>	<u>\$ 1,214</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Donation of Capital Assets	\$ -	\$ 13,321	\$ -
Change in Fair Value of Investments	-	-	-
<b>Total Noncash Investing, Capital and Financing Activities:</b>	<u>\$ -</u>	<u>\$ 13,321</u>	<u>\$ -</u>



Risk Management (see combining)	Georgia Technology Authority	Total
\$ (6,176)	\$ 3,494	\$ (5,462)
-	2,093	26,502
(6,973)	(5,499)	(12,003)
(46,973)	3,142	(43,831)
-	(42)	(42)
8	1	(3,143)
49	435	78
89	6,540	2,450
-	-	(164)
-	-	(95)
32,124	-	32,124
-	(2)	21
459	(138)	1,500
5	(267)	4,111
(314)	(2,421)	(6,356)
<u>\$ (27,702)</u>	<u>\$ 7,336</u>	<u>\$ (4,310)</u>
\$ -	\$ -	\$ 13,321
226	-	226
<u>\$ 226</u>	<u>\$ -</u>	<u>\$ 13,547</u>

# State of Georgia

## Combining Statement of Net Position

### Internal Service Funds

### Risk Management

June 30, 2016

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 3,620	\$ 21,223	\$ 1,275
Investments	1,547	9,066	-
Accounts Receivable (Net)	10,198	92	-
Due From Other Funds	67,849	-	-
<b>Noncurrent Assets:</b>			
Investments	6,861	40,206	-
	<u>90,075</u>	<u>70,587</u>	<u>1,275</u>
<b>Total Assets</b>			
	<u>116</u>	<u>114</u>	<u>9</u>
<b>Deferred Outflows of Resources</b>			
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Cash Overdraft	-	-	-
Accounts Payable and Other Accruals	120	37	1
Claims and Judgments Payable	89,293	7,922	978
Other Current Liabilities	4	3	-
<b>Noncurrent Liabilities:</b>			
Net Pension Liability	713	689	66
	<u>90,130</u>	<u>8,651</u>	<u>1,045</u>
<b>Total Liabilities</b>			
	<u>61</u>	<u>60</u>	<u>6</u>
<b>Deferred Inflows of Resources</b>			
<b>Net Position</b>			
Unrestricted	<u>\$ -</u>	<u>\$ 61,990</u>	<u>\$ 233</u>



Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ 17	\$ 963	\$ 5,511	\$ -	\$ 32,609
7	411	2,354	-	13,385
-	-	-	48,943	59,233
-	-	-	492,326	560,175
<u>31</u>	<u>1,825</u>	<u>10,441</u>	<u>-</u>	<u>59,364</u>
<u>55</u>	<u>3,199</u>	<u>18,306</u>	<u>541,269</u>	<u>724,766</u>
<u>-</u>	<u>-</u>	<u>5</u>	<u>185</u>	<u>429</u>
-	-	-	18	18
1	-	13	227	399
-	-	1,757	539,893	639,843
-	-	-	6	13
<u>-</u>	<u>-</u>	<u>33</u>	<u>1,205</u>	<u>2,706</u>
<u>1</u>	<u>-</u>	<u>1,803</u>	<u>541,349</u>	<u>642,979</u>
<u>-</u>	<u>-</u>	<u>2</u>	<u>105</u>	<u>234</u>
<u>\$ 54</u>	<u>\$ 3,199</u>	<u>\$ 16,506</u>	<u>\$ -</u>	<u>\$ 81,982</u>

# State of Georgia

## Combining Statement of Revenues, Expenses, and Changes in Net Position

### Internal Service Funds

### Risk Management

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

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
<b>Operating Revenues:</b>			
Contributions/Premiums	\$ 49,363	\$ 25,147	\$ -
Sales and Services	-	6	-
Total Operating Revenues	<u>49,363</u>	<u>25,153</u>	<u>-</u>
<b>Operating Expenses:</b>			
Personal Services	750	770	80
Services and Supplies	3,045	15,684	34
Claims and Judgments	45,820	9,282	827
Total Operating Expenses	<u>49,615</u>	<u>25,736</u>	<u>941</u>
Operating Income (Loss)	<u>(252)</u>	<u>(583)</u>	<u>(941)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest and Other Investment Income	268	1,040	7
Other	-	-	-
Total Nonoperating Revenues (Expenses)	<u>268</u>	<u>1,040</u>	<u>7</u>
Income (Loss) Before Transfers	<u>16</u>	<u>457</u>	<u>(934)</u>
Transfers:			
Transfers In	-	-	430
Net Transfers	<u>-</u>	<u>-</u>	<u>430</u>
Change in Net Position	16	457	(504)
Net Position, July 1 - Restated (Note 3)	<u>(16)</u>	<u>61,533</u>	<u>737</u>
Net Position, June 30	<u>\$ -</u>	<u>\$ 61,990</u>	<u>\$ 233</u>



Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ -	\$ -	\$ 10,000	\$ 124,998	\$ 209,508
-	-	-	11	17
-	-	10,000	125,009	209,525
-	-	62	1,155	2,817
-	5	107	9,714	28,589
43	2	4,559	123,762	184,295
43	7	4,728	134,631	215,701
(43)	(7)	5,272	(9,622)	(6,176)
1	48	234	239	1,837
-	-	-	9,398	9,398
1	48	234	9,637	11,235
(42)	41	5,506	15	5,059
-	-	-	-	430
-	-	-	-	430
(42)	41	5,506	15	5,489
96	3,158	11,000	(15)	76,493
<u>\$ 54</u>	<u>\$ 3,199</u>	<u>\$ 16,506</u>	<u>\$ -</u>	<u>\$ 81,982</u>

# State of Georgia

## Combining Statement of Cash Flows

### Internal Service Funds

### Risk Management

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

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ -	\$ 6	\$ -
Cash Received from Required Contributions/Premiums	1,726	2,675	-
Cash Received from Required Contributions/Premiums (Internal Activity)	29,741	22,449	-
Cash Paid to Vendors	(3,016)	(15,660)	(33)
Cash Paid to Employees	(700)	(692)	(58)
Cash Paid for Claims and Judgments	(34,288)	(6,526)	(677)
Net Cash Provided by (Used in) Operating Activities	<u>(6,537)</u>	<u>2,252</u>	<u>(768)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from Other Funds	-	-	430
Other Noncapital Receipts	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>430</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sales and Maturities of Investments	10,851	39,865	360
Purchase of Investments	(8,337)	(49,131)	-
Interest and Dividends Received	198	900	7
Net Cash Provided by (Used in) Investing Activities	<u>2,712</u>	<u>(8,366)</u>	<u>367</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,825)	(6,114)	29
Cash and Cash Equivalents, July 1	7,445	27,337	1,246
Cash and Cash Equivalents, June 30	<u>\$ 3,620</u>	<u>\$ 21,223</u>	<u>\$ 1,275</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:</b>			
Operating Income (Loss)	\$ (252)	\$ (583)	\$ (941)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>			
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Accounts Receivable	(3,569)	(24)	-
Due from Other Funds	(14,327)	-	-
Other Assets	-	1	-
Deferred Outflows of Resources	20	6	(3)
Accounts Payable and Other Accruals	34	21	-
Claims and Judgments Payable	11,532	2,756	151
Net Pension Liability	114	145	28
Other Liabilities	(4)	3	-
Deferred Inflows of Resources	(85)	(73)	(3)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (6,537)</u>	<u>\$ 2,252</u>	<u>\$ (768)</u>
<b>Noncash Investing Activities:</b>			
Change in Fair Value of Investments	<u>\$ 70</u>	<u>\$ 140</u>	<u>\$ -</u>





Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ -	\$ -	\$ -	\$ 11	\$ 17
-	-	1,073	10,036	15,510
-	-	8,927	78,943	140,060
-	(5)	(95)	(9,687)	(28,496)
-	-	(31)	(1,141)	(2,622)
(44)	(2)	(5,227)	(105,407)	(152,171)
(44)	(7)	4,647	(27,245)	(27,702)
-	-	-	-	430
-	-	-	9,398	9,398
-	-	-	9,398	9,828
59	1,873	7,964	10,433	71,405
(38)	(2,229)	(12,787)	-	(72,522)
1	41	225	239	1,611
22	(315)	(4,598)	10,672	494
(22)	(322)	49	(7,175)	(17,380)
39	1,285	5,462	7,157	49,971
\$ 17	\$ 963	\$ 5,511	\$ (18)	\$ 32,591
\$ (43)	\$ (7)	\$ 5,272	\$ (9,622)	\$ (6,176)
-	-	-	(3,380)	(6,973)
-	-	-	(32,646)	(46,973)
-	-	-	7	8
-	-	(5)	31	49
-	-	11	23	89
(1)	-	(667)	18,353	32,124
-	-	33	139	459
-	-	-	6	5
-	-	3	(156)	(314)
\$ (44)	\$ (7)	\$ 4,647	\$ (27,245)	\$ (27,702)
\$ -	\$ 7	\$ 9	\$ -	\$ 226



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FIDUCIARY FUNDS

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## Description of Fiduciary Funds

Fiduciary funds are used to account for assets held by the State in a fiduciary capacity. The State has the following fiduciary funds.

### **PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

Pension and Other Employee Benefit Trust Funds are used to account for activities and balances of the public employee retirement systems and other employee benefit plans. The State's pension and other employee benefit trust funds are described below:

#### **Pension Trust Funds**

##### **Defined Benefit Pension Plans**

The **Employees' Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for qualified employees of the State and its political subdivisions.

The **Firefighters' Pension Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the firefighters of the State.

The **Georgia Judicial Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for trial judges and solicitors of certain courts in Georgia, and their survivors and beneficiaries, superior court judges of the State, and district attorneys of the State.

**Other Defined Benefit Plans** is comprised of the following smaller plans:

The **District Attorneys Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the district attorneys of the State.

The **Georgia Military Pension Fund** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits to members of the Georgia National Guard.

The **Georgia Regents University Early Retirement Pension Plan** is a single-employer defined benefit pension plan designed to provide eligible participants additional benefits above the amounts payable through Teachers Retirement System of Georgia (TRS). The plan was designed to allow vested employees aged 55 or employees of any age with 25 years of creditable service to retire without penalties as applied by the TRS for early retirement.

The **Judges of the Probate Courts Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the judges of the Probate Courts of the State.

The **Legislative Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for all members of the Georgia General Assembly.

The **Magistrates Retirement Fund** is used to account for the accumulation of resources for the purpose of providing retirement benefits for those serving as duly qualified and commissioned chief magistrates of counties in the State.



## Description of Fiduciary Funds

The **Sheriffs' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the sheriffs of the State.

The **Superior Court Clerks' Retirement Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court clerks of the State.

The **Superior Court Judges Retirement Fund** (old plan) is used to account for the accumulation of resources for the purpose of paying retirement benefits to the Superior Court judges of the State.

The **Peace Officers' Annuity and Benefit Fund** is used to account for the accumulation of resources for the purpose of paying retirement benefits to the peace officers of the State.

The **Public School Employees Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System.

The **Teachers Retirement System** is used to account for the accumulation of resources for the purpose of providing retirement allowances and other benefits for teachers and administrative personnel employed in State public schools and the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and for certain other designated employees in educational-related work.

### **Defined Contribution / Deferred Compensation Pension Plans**

The **Georgia Defined Contribution Plan** is used to account for the accumulation of resources for the purpose of providing retirement allowances for State employees who are not members of a public retirement or pension system.

The **Deferred Compensation Plans** are used to account for the accumulation of resources for the purpose of providing retirement allowances for State and Board of Regents employees and employees of Community Service Boards who elect to defer a portion of their annual salary until future years.

### **Other Postemployment Benefit Plans**

The **Board of Regents Retiree Health Benefit Fund** is used to account for the accumulation of resources necessary to meet employer costs of retiree post-employment health insurance benefits.

The **Georgia State Employees Postemployment Health Benefit Fund (State OPEB Fund)** pays postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations and other entities authorized by law to contract with the Department of Community Health for inclusion in the plan. It also pays administrative expenses for the Fund. By law, no other use of assets of the State OPEB Fund is permitted.

The **Georgia School Personnel Postemployment Health Benefit Fund (School OPEB Fund)** pays postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and other certified employees of the public schools and regional educational service agencies, postemployment health benefits due under the group health plan for non-certificated public school employees, and administrative expenses of the Fund. By law, no other use of assets of the School OPEB Fund is permitted.



## Description of Fiduciary Funds

The **State Employees' Assurance Department (SEAD) – OPEB** is used to account for the accumulation of resources for the purpose of providing term life insurance to retired and vested inactive members of Employees', Judicial, and Legislative Retirement Systems.

The **State Employees' Assurance Department – Active** is used to account for the accumulation of resources for the purpose of providing survivors' benefits for eligible members of the Employees', Judicial, and Legislative Retirement Systems.

The **Survivors Benefit Fund** within the Employee Retirement System of Georgia (ERS) trust is solely for maintaining group term life insurance coverage for members of the plan. All assets are limited to the payment of benefits and expenses for SEAD-OPEB and SEAD-ACTIVE members and cannot be used to pay pension benefits of ERS.

## INVESTMENT TRUST FUNDS

Investment Trust Funds are used to account for the external portion of a government sponsored investment pool. The State's investment trust funds are described below:

The **Georgia Extended Asset Pool (GEAP)** is an investment pool of the Local Government Investment Pool Trust (the "LGIP Trust" or "Trust") and an investment pool for the State of Georgia (the "State") and local governments, including state agencies, colleges and universities, counties, school districts, special districts, or any department, agency, or board of a political subdivision. GEAP is managed as a variable Net Asset Value (NAV) pool. The primary objective of GEAP is to provide secondary liquidity and the preservation of principal through the management of minimum NAV fluctuations while providing current income.

The **Georgia Fund 1 (GF1)** is an investment pool of the LGIP Trust and an investment pool for the State and local governments, including state agencies, colleges and universities, counties, school districts, special districts, or any department, agency, or board of a political subdivision. GF1 is managed as a stable NAV pool. The primary objectives of the pool are safety of capital, liquidity, investment income, and diversification.

## PRIVATE PURPOSE TRUST FUNDS

Private Purpose Trust Funds are used to report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's private purpose trust funds are described below:

The **Auctioneers Education, Research and Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a person licensed under OCGA 43-6 (duly licensed auctioneer, apprentice auctioneer, or auction company) who is in violation of state law. Also, the fund is used to help underwrite the cost of education and research programs for the benefit of licensees and the public.

The **Real Estate Education, Research and Recovery Fund** provides for actual or compensatory damages in instances where a person is aggrieved by an act, representation, transaction, or conduct of a duly licensed broker, associate broker or salesperson who is in violation of state law. Also, the fund is used to help underwrite the cost of developing courses, conducting seminars, conducting research projects on matters affecting real estate brokerage, publishing and distributing educational materials, or other education and research programs for the benefit of licensees and the public.



## Description of Fiduciary Funds

The **Subsequent Injury Trust Fund** is a special workers' compensation fund designed to encourage employers to hire workers with pre-existing impairments by insuring against the aggravating impact such impairment could have if the worker were subsequently injured on the job.

### AGENCY FUNDS

Agency Funds are used to report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State's significant agency funds are described below:

The **Child Support Recovery Program** accounts for the collection of court ordered child support or child support amounts due as determined in conformity with the Social Security Act. Amounts collected are distributed and deposited in conformity with state law and the standards prescribed in the Social Security Act.

The **County Medicaid Administrative Funds** are billed by the State on behalf of local governments, and represent eligible administrative costs paid at the county level. Amounts collected are distributed to county boards of health.

The **Detainees' Accounts** are held for the detainees of statewide probation offices, correctional institutions, diversion centers, detention centers, transitional centers and boot camps for the purpose of paying court-ordered fines, fees and restitutions and for operating recreational activities for detainees.

The **Flexible Benefits Program** accounts for participant payroll deductions for benefits and spending accounts; disbursements are made to insurance companies for premiums and to participants for spending account reimbursements.

The **Insurance Premium Tax Collections for Local Governments Fund** accounts for the pro-rata share of premium taxes collected on the behalf of each participating municipality and county. The participating counties and municipalities may have the distributions deposited directly into their Georgia Fund 1 account through the Office of the State Treasurer.

**Sales Tax Collections for Local Governments** for the **Education Local Option Sales Tax, Homestead Option Sales Tax, Local Option Sales Tax, MARTA Sales Tax, and Special Purpose Local Option Sales Tax**. These funds are used to account for the collection and disbursement of local option sales taxes on behalf of county and municipal governments.

**Sales Tax Collections for Local Governments** for the **Transportation Investment Act (TIA)** accounts for the State's collection of and disbursement to the special tax districts in which the tax has been imposed and collected in accordance with the TIA.

The **Telecommunications Relay Service Fund** was established to provide telecommunication services to hearing/speech impaired Georgians. All local exchange telephone companies in the State impose a monthly maintenance surcharge on residential and business local exchange access facilities, which are deposited into this fund solely for the provisions of the Dual Party Relay System.





## Description of Fiduciary Funds

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The **Universal Service Fund** was established for the purpose of assisting low-income customers in times of emergency by providing energy conservation assistance to such customers; and to provide contributions in aid of construction to permit the electing distribution company to extend and expand its facilities from time to time as the Public Service Commission deems to be in the public interest. Funding comes from rate refunds from interstate pipeline suppliers, funds deposited by marketers, and various other refunds, surcharges and earnings.

**Miscellaneous** funds include agency funds not considered significant enough to warrant separate presentation.

# State of Georgia

## Combining Statement of Fiduciary Net Position Pension and Other Employee Benefit Trust Funds June 30, 2016 (dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans			
		Georgia Defined Contribution Plan	Deferred Compensation Plans		
			State of Georgia 401 (K) Plan	State of Georgia 457 Plan	Regents 457 (F) Plan
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,885,877	\$ 20,541	\$ 12,873	\$ 1,583	\$ 338
Receivables					
Interest and Dividends	225,672	355	-	-	-
Due from Brokers for Securities Sold	183,578	-	-	-	-
Other	216,006	878	2,588	406	-
Due from Other Funds	-	-	-	-	-
Investments					
Pooled Investments	13,349,020	-	-	-	-
Mutual Funds	762,426	-	674,329	551,740	5,222
Municipal, U.S. and Foreign Government Obligations	10,186,918	41,598	-	-	-
Corporate Bonds/Notes/Debentures	10,087,797	46,839	-	-	-
Stocks	44,187,699	-	5,556	5,981	-
Asset-backed Securities	21,050	-	-	-	-
Mortgage Investments	99,363	-	-	-	-
Real Estate Investment Trusts	50,203	-	-	-	188
Capital Assets					
Land	8,867	-	-	-	-
Buildings	7,793	-	-	-	-
Software	29,325	-	-	-	-
Machinery and Equipment	6,228	-	-	-	-
Works of Art	114	-	-	-	-
Accumulated Depreciation	(36,275)	-	-	-	-
<b>Total Assets</b>	<b>81,271,661</b>	<b>110,211</b>	<b>695,346</b>	<b>559,710</b>	<b>5,748</b>
<b>Deferred Outflows of Resources</b>	<b>4,978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Accounts Payable and Other Accruals	34,763	473	2,111	876	-
Due to Other Funds	688	-	-	-	-
Due to Brokers for Securities Purchased	205,186	-	-	-	-
Salaries/Withholdings Payable	33	-	-	-	-
Benefits Payable	-	-	-	-	-
Notes Payable	15	-	-	-	-
Unearned Revenue	5	-	-	-	-
Compensated Absences Payable	49	-	-	-	-
Net Pension Liability	27,702	-	-	-	-
Other Current Liabilities	32	-	-	-	-
<b>Total Liabilities</b>	<b>268,473</b>	<b>473</b>	<b>2,111</b>	<b>876</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>	<b>2,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>					
Restricted for:					
Pension Benefits	81,005,946	109,738	693,235	558,834	-
Other Postemployment Benefits	-	-	-	-	5,748
Other Employee Benefits	-	-	-	-	-
<b>Total Net Position</b>	<b>\$ 81,005,946</b>	<b>\$ 109,738</b>	<b>\$ 693,235</b>	<b>\$ 558,834</b>	<b>\$ 5,748</b>



Other Post Employment Benefit Plans

Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department - Active	Survivor's Benefit Fund	Total
\$ 545	\$ 516,244	\$ 95,408	\$ 4	\$ 14	\$ 93	\$ 2,533,520
-	-	-	-	-	-	226,027
-	-	-	-	-	-	183,578
3,759	3,139	7,263	-	-	-	234,039
-	9,372	20,486	592	80	-	30,530
7,406	-	-	1,028,448	240,948	120,871	14,746,693
-	-	-	-	-	-	1,993,717
-	-	-	-	-	-	10,228,516
-	-	-	-	-	-	10,134,636
-	-	-	-	-	-	44,199,236
-	-	-	-	-	-	21,050
-	-	-	-	-	-	99,363
-	-	-	-	-	-	50,391
-	-	-	-	-	-	8,867
-	-	-	-	-	-	7,793
-	-	-	-	-	-	29,325
-	-	-	-	-	-	6,228
-	-	-	-	-	-	114
-	-	-	-	-	-	(36,275)
11,710	528,755	123,157	1,029,044	241,042	120,964	84,697,348
-	-	-	-	-	-	4,978
-	379	518	503	57	-	39,680
-	-	-	-	-	-	688
-	-	-	-	-	-	205,186
-	-	-	-	-	-	33
8,811	12,115	27,227	-	-	-	48,153
-	-	-	-	-	-	15
-	-	-	-	-	-	5
-	-	-	-	-	-	49
-	-	-	-	-	-	27,702
-	-	-	-	-	-	32
8,811	12,494	27,745	503	57	-	321,543
-	-	-	-	-	-	2,220
-	-	-	-	-	120,964	82,488,717
2,899	516,261	95,412	1,028,541	-	-	1,648,861
-	-	-	-	240,985	-	240,985
\$ 2,899	\$ 516,261	\$ 95,412	\$ 1,028,541	\$ 240,985	\$ 120,964	\$ 84,378,563

# State of Georgia

## Combining Statement of Changes in Fiduciary Net Position Pension and Other Employee Benefit Trust Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Defined Benefit Pension Plans (see combining)	Defined Contribution Plans			
		Georgia Defined Contribution Plan	Deferred Compensation Plans		
		State of Georgia 401 (K) Plan	State of Georgia 457 Plan	Regents 457 (F) Plan	
<b>Additions:</b>					
Contributions					
Employer	\$ 2,174,519	\$ -	\$ 29,982	\$ -	\$ 811
NonEmployer	51,841	-	-	-	-
Plan Members	733,379	14,708	79,422	17,413	267
Other Contributions					
Fines and Bond Forfeitures	20,436	-	-	-	-
Insurance Company Premium Taxes	32,684	-	-	-	-
Insurance Premiums	-	-	-	-	-
Other Fees	2,493	-	-	-	-
Interest and Other Investment Income					
Dividends and Interest	1,782,977	1,732	486	622	243
Net Appreciation (Depreciation) in Investments Reported at Fair Value	(739,788)	3,913	7,188	7,993	110
Less: Investment Expense	(62,982)	(54)	(2,393)	(760)	-
Other					
Transfers from Other Funds	2,267	-	-	-	-
Miscellaneous	423	-	1,429	-	-
<b>Total Additions</b>	<b>3,998,249</b>	<b>20,299</b>	<b>116,114</b>	<b>25,268</b>	<b>1,431</b>
<b>Deductions:</b>					
General and Administrative Expenses	29,143	766	2,832	820	-
Benefits	5,757,474	35	46,508	43,288	1,328
Refunds	88,275	11,911	-	-	-
<b>Total Deductions</b>	<b>5,874,892</b>	<b>12,712</b>	<b>49,340</b>	<b>44,108</b>	<b>1,328</b>
Change in Net Position Restricted for: Pension and Other Employee Benefits	(1,876,643)	7,587	66,774	(18,840)	103
Net Position, July 1	82,882,589	102,151	626,461	577,674	5,645
Net Position, June 30	\$ 81,005,946	\$ 109,738	\$ 693,235	\$ 558,834	\$ 5,748



Other Post Employment Benefit Plans							
Board of Regents Retiree Health Benefit Fund	Georgia State Employees Postemployment Health Benefit Fund	Georgia School Personnel Postemployment Health Benefit Fund	State Employees' Assurance Department - OPEB	State Employees' Assurance Department - Active	Survivor's Defined Benefit		Total
\$ 111,814	\$ 567,307	\$ 418,677	\$ -	\$ -	\$ -	\$	3,303,110
-	-	-	-	-	-	-	51,841
28,587	52,611	114,232	-	-	-	-	1,040,619
-	-	-	-	-	-	-	20,436
-	-	-	-	-	-	-	32,684
-	-	-	3,931	611	-	-	4,542
-	-	-	-	-	-	-	2,493
48	-	-	24,005	5,811	2,954	-	1,818,878
(16)	-	-	(10,484)	(2,538)	(1,290)	-	(734,912)
-	-	-	(962)	(164)	(53)	-	(67,368)
-	-	-	2	-	(2)	-	2,267
-	-	-	-	-	-	-	1,852
<u>140,433</u>	<u>619,918</u>	<u>532,909</u>	<u>16,492</u>	<u>3,720</u>	<u>1,609</u>	-	<u>5,476,442</u>
13,313	8,709	18,741	599	67	-	-	74,990
124,502	196,382	449,604	33,911	3,345	-	-	6,656,377
-	-	-	-	-	-	-	100,186
<u>137,815</u>	<u>205,091</u>	<u>468,345</u>	<u>34,510</u>	<u>3,412</u>	<u>-</u>	-	<u>6,831,553</u>
2,618	414,827	64,564	(18,018)	308	1,609	-	(1,355,111)
281	101,434	30,848	1,046,559	240,677	119,355	-	85,733,674
<u>\$ 2,899</u>	<u>\$ 516,261</u>	<u>\$ 95,412</u>	<u>\$ 1,028,541</u>	<u>\$ 240,985</u>	<u>\$ 120,964</u>	-	<u>\$ 84,378,563</u>

# State of Georgia

## Combining Statement of Fiduciary Net Position Pension and Other Employee Benefit Trust Funds Defined Benefit Pension Plans June 30, 2016

(dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
<b>Assets</b>				
Cash and Cash Equivalents	\$ 187,027	\$ 33,437	\$ 471	\$ 21,670
Receivables				
Interest and Dividends	42,131	1,456	-	434
Due from Brokers for Securities Sold	53,612	7,041	-	90
Other	35,866	2	1,482	310
Investments				
Pooled Investments	12,086,335	-	401,705	56,314
Mutual Funds	-	293,331	-	81,009
Municipal, U.S. and Foreign Government Obligations	-	51,066	-	59,367
Corporate Bonds/Notes/Debentures	-	70,152	-	9,627
Stocks	-	190,629	-	184,259
Asset-backed Securities	-	3,472	-	4,509
Mortgage Investments	-	85,235	-	40
Real Estate Investment Trusts	-	45,590	-	3,699
Capital Assets				
Land	4,342	85	-	-
Buildings	2,800	1,535	-	-
Software	14,345	-	-	-
Machinery and Equipment	3,020	126	-	-
Works of Art	-	114	-	-
Accumulated Depreciation	(17,564)	(579)	-	-
<b>Total Assets</b>	<b>12,411,914</b>	<b>782,692</b>	<b>403,658</b>	<b>421,328</b>
<b>Deferred Outflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Accounts Payable and Other Accruals	23,683	1,971	628	391
Due to Other Funds	663	-	19	1
Due to Brokers for Securities Purchased	14,001	13,994	-	3,436
Salaries/Withholdings Payable	-	-	-	13
Notes Payable	-	-	-	-
Unearned Revenue	-	-	-	5
Compensated Absences Payable	-	49	-	-
Net Pension Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>38,347</b>	<b>16,014</b>	<b>647</b>	<b>3,846</b>
<b>Deferred Inflow of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Restricted for Pension Benefits	\$ 12,373,567	\$ 766,678	\$ 403,011	\$ 417,482



Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
\$ 31,630	\$ 136	\$ 1,611,506	\$ 1,885,877
-	-	181,651	225,672
14,137	-	108,698	183,578
-	61	178,285	216,006
-	804,666	-	13,349,020
388,086	-	-	762,426
59,133	-	10,017,352	10,186,918
46,133	-	9,961,885	10,087,797
161,275	-	43,651,536	44,187,699
13,069	-	-	21,050
14,088	-	-	99,363
914	-	-	50,203
98	-	4,342	8,867
658	-	2,800	7,793
-	-	14,980	29,325
182	-	2,900	6,228
-	-	-	114
(284)	-	(17,848)	(36,275)
<u>729,119</u>	<u>804,863</u>	<u>65,718,087</u>	<u>81,271,661</u>
-	-	4,978	4,978
-	1,088	7,002	34,763
-	-	5	688
40,030	-	133,725	205,186
20	-	-	33
15	-	-	15
-	-	-	5
-	-	-	49
-	-	27,702	27,702
32	-	-	32
<u>40,097</u>	<u>1,088</u>	<u>168,434</u>	<u>268,473</u>
-	-	2,220	2,220
<u>\$ 689,022</u>	<u>\$ 803,775</u>	<u>\$ 65,552,411</u>	<u>\$ 81,005,946</u>

# State of Georgia

## Combining Statement of Changes in Fiduciary Net Position Pension and Other Employee Benefit Trust Funds Defined Benefit Pension Plans For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
<b>Additions:</b>				
Contributions				
Employer	\$ 583,072	\$ -	\$ 4,754	\$ 14,336
NonEmployer	12,484	-	2,869	-
Plan Members	31,961	3,970	5,507	863
Other Contributions				
Fines and Bond Forfeitures	-	-	-	5,723
Insurance Company Premium Taxes	-	32,684	-	-
Other Fees	10	293	-	2,190
Interest and Other Investment Income				
Dividends and Interest	276,439	15,746	9,585	3,010
Net Appreciation (Depreciation) in Investments Reported at Fair Value	(120,732)	(5,953)	(4,186)	7,570
Less: Investment Expense	(14,415)	(4,176)	(344)	(1,884)
Other				
Transfers from Other Funds	10	-	-	1,990
Miscellaneous	-	356	-	1
<b>Total Additions</b>	<b>768,829</b>	<b>42,920</b>	<b>18,185</b>	<b>33,799</b>
<b>Deductions:</b>				
General and Administrative Expenses	8,506	1,362	754	1,070
Benefits	1,347,633	41,562	19,011	31,825
Refunds	7,087	651	261	64
<b>Total Deductions</b>	<b>1,363,226</b>	<b>43,575</b>	<b>20,026</b>	<b>32,959</b>
Change in Net Position Restricted for Pension Benefits	(594,397)	(655)	(1,841)	840
Net Position, July 1	12,967,964	767,333	404,852	416,642
Net Position, June 30	\$ 12,373,567	\$ 766,678	\$ 403,011	\$ 417,482





Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
\$ -	\$ -	\$ 1,572,357	\$ 2,174,519
-	28,580	7,908	51,841
3,527	1,925	685,626	733,379
14,713	-	-	20,436
-	-	-	32,684
-	-	-	2,493
17,305	18,640	1,442,252	1,782,977
(14,951)	(8,141)	(593,395)	(739,788)
(3,190)	(690)	(38,283)	(62,982)
-	-	267	2,267
66	-	-	423
<u>17,470</u>	<u>40,314</u>	<u>3,076,732</u>	<u>3,998,249</u>
849	1,321	15,281	29,143
30,721	57,903	4,228,819	5,757,474
413	465	79,334	88,275
<u>31,983</u>	<u>59,689</u>	<u>4,323,434</u>	<u>5,874,892</u>
(14,513)	(19,375)	(1,246,702)	(1,876,643)
<u>703,535</u>	<u>823,150</u>	<u>66,799,113</u>	<u>82,882,589</u>
<u>\$ 689,022</u>	<u>\$ 803,775</u>	<u>\$ 65,552,411</u>	<u>\$ 81,005,946</u>

# State of Georgia

## Combining Statement of Fiduciary Net Position Pension and Other Employee Benefit Trust Funds Defined Benefit Pension Plans Other Defined Benefit Pension Plans June 30, 2016 (dollars in thousands)

	District Attorneys Retirement Fund	Georgia Military Pension Fund	Georgia Regents University Early Retirement Pension Plan	Judges of the Probate Courts Retirement Fund
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3	\$ 78	\$ 6,164	\$ 2,187
Receivables				
Interest and Dividends	-	-	-	-
Due from Brokers for Securities Sold	-	-	-	45
Other	-	-	-	-
Investments				
Pooled Investments	-	17,714	-	-
Mutual Funds	-	-	47,151	-
Municipal, U.S. and Foreign Government Obligations	-	-	-	2,848
Corporate Bonds/Notes/Debentures	-	-	-	3,059
Stocks	-	-	23,752	68,435
Asset-backed Securities	-	-	-	925
Mortgage Investments	-	-	-	40
Real Estate Investment Trusts	-	-	3,257	442
<b>Total Assets</b>	<b>3</b>	<b>17,792</b>	<b>80,324</b>	<b>77,981</b>
<b>Liabilities</b>				
Accounts Payable and Other Accruals	1	75	-	-
Cash Overdraft	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Brokers for Securities Purchased	-	-	-	45
Salaries/Withholdings Payable	-	-	-	-
Unearned Revenue	-	-	-	-
<b>Total Liabilities</b>	<b>1</b>	<b>75</b>	<b>-</b>	<b>45</b>
<b>Net Position</b>				
Restricted for Pension Benefits	\$ 2	\$ 17,717	\$ 80,324	\$ 77,936



Legislative Retirement System	Magistrates Retirement Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
\$ 71	\$ 627	\$ 3,494	\$ 9,057	\$ 23	\$ 21,704
-	12	132	290	-	434
-	-	-	45	-	90
1	-	-	309	-	310
31,088	-	-	7,512	-	56,314
-	12,535	21,323	-	-	81,009
-	7,068	10,498	38,953	-	59,367
-	-	6,568	-	-	9,627
-	3	38,206	53,863	-	184,259
-	-	3,584	-	-	4,509
-	-	-	-	-	40
-	-	-	-	-	3,699
<u>31,160</u>	<u>20,245</u>	<u>83,805</u>	<u>110,029</u>	<u>23</u>	<u>421,362</u>
184	-	30	86	15	391
-	-	34	-	-	34
1	-	-	-	-	1
-	-	-	3,391	-	3,436
-	13	-	-	-	13
-	-	-	5	-	5
<u>185</u>	<u>13</u>	<u>64</u>	<u>3,482</u>	<u>15</u>	<u>3,880</u>
<u>\$ 30,975</u>	<u>\$ 20,232</u>	<u>\$ 83,741</u>	<u>\$ 106,547</u>	<u>\$ 8</u>	<u>\$ 417,482</u>

# State of Georgia

## Combining Statement of Changes in Fiduciary Net Position Pension and Other Employee Benefit Trust Funds Defined Benefit Pension Plans Other Defined Benefit Pension Plans For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	District Attorneys Retirement Fund	Georgia Military Pension Fund	Georgia Regents University Early Retirement Pension Plan	Judges of the Probate Courts Retirement Fund
<b>Additions:</b>				
Contributions				
Employer	\$ 51	\$ -	\$ 13,086	\$ -
Plan Members	-	-	-	155
Other Contributions				
Fines and Bond Forfeitures	-	-	-	1,317
Other Fees	1	-	-	-
Interest and Other Investment Income				
Dividends and Interest	-	449	1,506	1,627
Net Appreciation (Depreciation) in Investments Reported at Fair Value	-	(196)	242	3,477
Less: Investment Expense	-	(13)	(158)	(557)
Other				
Transfers from Other Funds	-	1,990	-	-
Miscellaneous	-	-	-	-
Total Additions	52	2,230	14,676	6,019
<b>Deductions:</b>				
General and Administrative Expenses	1	262	-	103
Benefits	51	963	13,477	3,863
Refunds	-	-	-	12
Total Deductions	52	1,225	13,477	3,978
Change in Net Position Restricted for Pension Benefits	-	1,005	1,199	2,041
Net Position, July 1	2	16,712	79,125	75,895
Net Position, June 30	\$ 2	\$ 17,717	\$ 80,324	\$ 77,936



Legislative Retirement System	Magistrates Retirement Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,199	\$ 14,336
328	169	81	130	-	863
-	1,563	1,970	873	-	5,723
-	-	-	2,185	4	2,190
691	307	(1,570)	-	-	3,010
(302)	275	(25)	4,099	-	7,570
(26)	(71)	(564)	(495)	-	(1,884)
-	-	-	-	-	1,990
-	-	1	-	-	1
691	2,243	(107)	6,792	1,203	33,799
313	44	219	124	4	1,070
1,724	92	5,522	4,935	1,198	31,825
38	14	-	-	-	64
2,075	150	5,741	5,059	1,202	32,959
(1,384)	2,093	(5,848)	1,733	1	840
32,359	18,139	89,589	104,814	7	416,642
\$ 30,975	\$ 20,232	\$ 83,741	\$ 106,547	\$ 8	\$ 417,482



**Combining Statement of Fiduciary Net Position**  
**Investment Trust Funds**  
**June 30, 2016**  
(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ -	\$ 6,864,129	\$ 6,864,129
Investments, at Fair Value			
Pooled Investments	117,154	-	117,154
Interest Receivable	<u>114</u>	<u>404</u>	<u>518</u>
<b>Total Assets</b>	<u>117,268</u>	<u>6,864,533</u>	<u>6,981,801</u>
<b>Net Position</b>			
Restricted for Pool Participants	<u>\$ 117,268</u>	<u>\$ 6,864,533</u>	<u>\$ 6,981,801</u>



## Combining Statement of Changes in Fiduciary Net Position Investment Trust Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Total
<b>Additions:</b>			
Pool Participant Deposits	\$ 23,100	\$ 8,941,218	\$ 8,964,318
Interest and Other Investment Income			
Dividends and Interest	728	20,880	21,608
Net Appreciation (Depreciation) in Investments Reported at Fair Value	51	-	51
Less: Investment Expense	(51)	(2,260)	(2,311)
<b>Total Additions</b>	<u>23,828</u>	<u>8,959,838</u>	<u>8,983,666</u>
<b>Deductions:</b>			
Pool Participant Withdrawals	<u>29,000</u>	<u>8,417,028</u>	<u>8,446,028</u>
Change in Net Position Restricted for Pool Participants	(5,172)	542,810	537,638
Net Position, July 1	<u>122,440</u>	<u>6,321,723</u>	<u>6,444,163</u>
Net Position, June 30	<u>\$ 117,268</u>	<u>\$ 6,864,533</u>	<u>\$ 6,981,801</u>



## Combining Statement of Fiduciary Net Position

### Private Purpose Trust Funds

June 30, 2016

(dollars in thousands)

	Auctioneers Education, Research and Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 662	\$ 1,565	\$ 80,846	\$ 83,073
Capital Assets				
Buildings	-	-	826	826
Machinery and Equipment	-	-	94	94
Accumulated Depreciation	-	-	(532)	(532)
Total Assets	662	1,565	81,234	83,461
<b>Deferred Outflows of Resources</b>				
	-	-	199	199
<b>Liabilities</b>				
Accounts Payable and Other Accruals	-	-	13	13
Compensated Absences Payable	-	-	159	159
Net Pension Liability	-	-	1,637	1,637
Other Liabilities	-	-	371	371
Total Liabilities	-	-	2,180	2,180
<b>Deferred Inflows of Resources</b>				
	-	-	326	326
<b>Net Position</b>				
Restricted for Other Purposes	\$ 662	\$ 1,565	\$ 78,927	\$ 81,154





## Combining Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Auctioneers Education, Research and Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
<b>Additions:</b>				
Contributions/Assessments				
Participants	\$ 14	\$ 151	\$ 100,273	\$ 100,438
Interest and Other Investment Income				
Dividends and Interest	1	7	194	202
Total Additions	<u>15</u>	<u>158</u>	<u>100,467</u>	<u>100,640</u>
<b>Deductions:</b>				
General and Administrative Expenses	-	119	1,355	1,474
Benefits	-	-	36,813	36,813
Total Deductions	<u>-</u>	<u>119</u>	<u>38,168</u>	<u>38,287</u>
Change in Net Position Restricted for Other Purposes	15	39	62,299	62,353
Net Position, July 1	<u>647</u>	<u>1,526</u>	<u>16,628</u>	<u>18,801</u>
Net Position, June 30	<u>\$ 662</u>	<u>\$ 1,565</u>	<u>\$ 78,927</u>	<u>\$ 81,154</u>

# State of Georgia

## Combining Statement of Fiduciary Assets and Liabilities

### Agency Funds

June 30, 2016

(dollars in thousands)

	Child Support Recovery Program	County Medicaid Administrative Funds	Detainees' Accounts	Flexible Benefits Program	Insurance Premium Tax Collections for Local Governments
<b>Assets</b>					
Cash and Cash Equivalents	\$ 47,141	\$ (944)	\$ 47,771	\$ 14,357	\$ -
Accounts Receivable	-	5,371	-	-	-
Investments, at Fair Value					
Certificates of Deposit	-	-	-	-	-
Pooled Investments	-	-	-	-	-
Municipal, U. S. and Foreign Government Obligations	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 47,141</b>	<b>\$ 4,427</b>	<b>\$ 47,771</b>	<b>\$ 14,357</b>	<b>\$ -</b>
<b>Liabilities</b>					
Accounts Payable and Other Accruals	-	54	-	1,733	-
Funds Held for Others	47,141	4,373	47,771	12,624	-
Other Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 47,141</b>	<b>\$ 4,427</b>	<b>\$ 47,771</b>	<b>\$ 14,357</b>	<b>\$ -</b>



Sales Tax Collections for Local Governments

Education Local Option	Homestead Option	Local Option	MARTA	Special Purpose Local Option	Transportation Investment Act	Telecom- munications Relay Service Fund	Universal Service Fund	Miscellaneous	Total
\$ 1,650	\$ 82	\$ 1,017	\$ 274	\$ 1,358	\$ -	\$ 4,956	\$ 5,534	\$ 77,425	\$ 200,621
-	-	-	-	-	2,964	-	-	228	8,563
-	-	-	-	-	-	-	-	1,528	1,528
-	-	-	-	-	-	-	-	198	198
-	-	-	-	-	-	-	59,262	-	59,262
-	-	-	-	-	-	-	-	11,922	11,922
<u>\$ 1,650</u>	<u>\$ 82</u>	<u>\$ 1,017</u>	<u>\$ 274</u>	<u>\$ 1,358</u>	<u>\$ 2,964</u>	<u>\$ 4,956</u>	<u>\$ 64,796</u>	<u>\$ 91,301</u>	<u>\$ 282,094</u>
-	-	-	-	-	-	-	-	1,333	3,120
1,650	82	1,017	274	1,358	2,964	4,956	64,796	89,957	278,963
-	-	-	-	-	-	-	-	11	11
<u>\$ 1,650</u>	<u>\$ 82</u>	<u>\$ 1,017</u>	<u>\$ 274</u>	<u>\$ 1,358</u>	<u>\$ 2,964</u>	<u>\$ 4,956</u>	<u>\$ 64,796</u>	<u>\$ 91,301</u>	<u>\$ 282,094</u>



## Combining Statement of Changes in Fiduciary Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2016

(dollars in thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>Child Support Recovery Program</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 18,790	\$ 884,782	\$ 856,431	\$ 47,141
<b>Liabilities</b>				
Funds Held for Others	\$ 18,790	\$ 869,652	\$ 841,301	\$ 47,141
<b>County Medicaid Administrative Funds</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 31	\$ 24,548	\$ 25,523	\$ (944)
Accounts Receivable	-	39,047	33,676	5,371
<b>Total Assets</b>	<u>\$ 31</u>	<u>\$ 63,595</u>	<u>\$ 59,199</u>	<u>\$ 4,427</u>
<b>Liabilities</b>				
Accounts Payable and Other Accruals	\$ -	\$ 28,123	\$ 28,069	\$ 54
Funds Held for Others	31	24,227	19,885	4,373
<b>Total Liabilities</b>	<u>\$ 31</u>	<u>\$ 52,350</u>	<u>\$ 47,954</u>	<u>\$ 4,427</u>
<b>Detainees' Accounts</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 47,101	\$ 192,739	\$ 192,069	\$ 47,771
<b>Liabilities</b>				
Funds Held for Others	\$ 47,101	\$ 192,739	\$ 192,069	\$ 47,771
<b>Flexible Benefits Program</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 14,064	\$ 215,832	\$ 215,539	\$ 14,357
<b>Liabilities</b>				
Accounts Payable and Other Accruals	\$ 908	\$ 141,906	\$ 141,081	\$ 1,733
Funds Held for Others	13,156	140,623	141,155	12,624
<b>Total Liabilities</b>	<u>\$ 14,064</u>	<u>\$ 282,529</u>	<u>\$ 282,236</u>	<u>\$ 14,357</u>
<b>Insurance Premium Tax Collections for Local Governments</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ 529,499	\$ 529,499	\$ -
<b>Liabilities</b>				
Funds Held for Others	\$ -	\$ 529,499	\$ 529,499	\$ -
<b>Sales Tax Collections for Local Governments</b>				
<i>Education Local Option Sales Tax</i>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 639	\$ 1,670,218	\$ 1,669,207	\$ 1,650
<b>Liabilities</b>				
Funds Held for Others	\$ 639	\$ 1,670,218	\$ 1,669,207	\$ 1,650
<i>Homestead Option Sales Tax</i>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 51	\$ 125,379	\$ 125,348	\$ 82
<b>Liabilities</b>				
Funds Held for Others	\$ 51	\$ 125,379	\$ 125,348	\$ 82



## Combining Statement of Changes in Fiduciary Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2016

(dollars in thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>Sales Tax Collections for Local Governments - Continued</b>				
<i>Local Option Sales Tax</i>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 221	\$ 1,391,070	\$ 1,390,274	\$ 1,017
<b>Liabilities</b>				
Funds Held for Others	\$ 221	\$ 1,391,070	\$ 1,390,274	\$ 1,017
<i>MARTA Sales Tax</i>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 240	\$ 414,020	\$ 413,986	\$ 274
<b>Liabilities</b>				
Funds Held for Others	\$ 240	\$ 414,020	\$ 413,986	\$ 274
<i>Special Purpose Local Option Sales Tax</i>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ (328)	\$ 1,195,186	\$ 1,193,500	\$ 1,358
<b>Liabilities</b>				
Funds Held for Others	\$ (328)	\$ 1,195,186	\$ 1,193,500	\$ 1,358
<i>Transportation Investment Act</i>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ 35,645	\$ 35,645	\$ -
Accounts Receivable	2,966	2,964	2,966	2,964
<b>Total Assets</b>	<b>\$ 2,966</b>	<b>\$ 38,609</b>	<b>\$ 38,611</b>	<b>\$ 2,964</b>
<b>Liabilities</b>				
Funds Held for Others	\$ 2,966	\$ 38,608	\$ 38,610	\$ 2,964
<b>Telecommunications Relay Service Fund</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 4,711	\$ 3,405	\$ 3,160	\$ 4,956
<b>Liabilities</b>				
Funds Held for Others	\$ 4,711	\$ 3,405	\$ 3,160	\$ 4,956
<b>Universal Service Fund</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 13,579	\$ 20,468	\$ 28,513	\$ 5,534
Investments	54,288	59,262	54,288	59,262
<b>Total Assets</b>	<b>\$ 67,867</b>	<b>\$ 79,730</b>	<b>\$ 82,801</b>	<b>\$ 64,796</b>
<b>Liabilities</b>				
Funds Held for Others	\$ 67,867	\$ 14,935	\$ 18,006	\$ 64,796

(continued)



## Combining Statement of Changes in Fiduciary Assets and Liabilities

### Agency Funds

For the Fiscal Year Ended June 30, 2016

(dollars in thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>Miscellaneous</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 79,317	\$ 108,802	\$ 110,694	\$ 77,425
Accounts Receivable	195	253	220	228
Investments	1,865	9	148	1,726
Other Assets	15,935	8,302	12,315	11,922
<b>Total Assets</b>	<u>\$ 97,312</u>	<u>\$ 117,366</u>	<u>\$ 123,377</u>	<u>\$ 91,301</u>
<b>Liabilities</b>				
Accounts Payable and Other Accruals	\$ 295	\$ 9,609	\$ 8,571	\$ 1,333
Funds Held for Others	97,008	112,333	119,384	89,957
Other Liabilities	9	3	1	11
<b>Total Liabilities</b>	<u>\$ 97,312</u>	<u>\$ 121,945</u>	<u>\$ 127,956</u>	<u>\$ 91,301</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 178,416	\$ 6,811,593	\$ 6,789,388	\$ 200,621
Accounts Receivable	3,161	42,264	36,862	8,563
Investments	56,153	59,271	54,436	60,988
Other Assets	15,935	8,302	12,315	11,922
<b>Total Assets</b>	<u>\$ 253,665</u>	<u>\$ 6,921,430</u>	<u>\$ 6,893,001</u>	<u>\$ 282,094</u>
<b>Liabilities</b>				
Accounts Payable and Other Accruals	\$ 1,203	\$ 179,638	\$ 177,721	\$ 3,120
Funds Held for Others	252,453	6,721,894	6,695,384	278,963
Other Liabilities	9	3	1	11
<b>Total Liabilities</b>	<u>\$ 253,665</u>	<u>\$ 6,901,535</u>	<u>\$ 6,873,106</u>	<u>\$ 282,094</u>

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## NONMAJOR COMPONENT UNITS

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## Description of Nonmajor Component Units

Component units are legally separate organizations for which the State's elected officials are considered to be financially accountable. Nonmajor component units are described below:

### **Economic Development Organizations**

The Economic Development organizations cultivate business for the State. These organizations are described below:

The **Geo. L. Smith II Georgia World Congress Center Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for operating and maintaining a comprehensive international trade and convention center consisting of a complex of facilities suitable for multipurpose use. The Governor appoints the 15 members of the Board.

The **Georgia Development Authority** is a body corporate and politic. The Authority was created to assist agricultural and industrial interests by providing credit and servicing functions to better enable farmers and businessmen to obtain needed capital funds. The Board consists of three State officials designated by statute and four members appointed by the Governor.

The **Georgia International and Maritime Trade Center Authority** is a body corporate and politic. The Authority was created to develop and promote the growth of the State's import and export markets through its ports and other transportation modes, and to construct, operate and maintain the Savannah International Trade and Convention Center. State officials appoint nine of the 12 members of the Board.

The **Georgia Seed Development Commission** is a body corporate and politic and an instrumentality and public corporation of the State whose purpose is to purchase, process, and resell breeders' and foundation seeds. The Commission consists of 11 members who are accountable as trustees. Of the 11 members serving on the Board, six members are State officials or are appointed by State officials.

The **OneGeorgia Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to promote the health, welfare, safety and economic society of the rural citizens of the State through the development and retention of employment opportunities in rural areas and the enhancement of the infrastructures that accomplish that goal. The six members of the Authority are State officials designated by statute.

The **Georgia Foundation for Public Education** is a nonprofit organization established to solicit and accept contributions of money and in-kind contributions of services and property for the purpose of supporting educational excellence in Georgia.

The **Georgia Higher Education Assistance Corporation** is a nonprofit public authority, body corporate and politic. The Corporation was created to improve the higher educational opportunities of eligible students by guaranteeing educational loan credit to students and to parents of students. The Corporation is governed by the Board of Commissioners of the Georgia Student Finance Commission. The Board consists of 14 members appointed by the Governor.

The **Georgia Highway Authority** is a body corporate and politic. This Authority was created to build, rebuild, relocate, construct, reconstruct, surface, resurface, layout, grade, repair, improve, widen, straighten, operate, own, maintain, lease and manage roads, bridges and approaches. The three members of the Authority are State officials designated by statute.



## Description of Nonmajor Component Units

The **Georgia Military College (GMC)** is a public authority, body corporate and politic, and is an instrumentality and a public corporation of the State. GMC is dedicated to providing a high-quality military education to the youth of the State. The Board of Trustees consists of the mayor of the City of Milledgeville and six additional members, one of which is elected from each of the six municipal voting districts of the City, as required by statute. The government, control, and management of GMC are vested in the Board of Trustees. GMC receives any designated funds appropriated by the General Assembly through the Board of Regents of the University System of Georgia.

The **Georgia Public Telecommunications Commission** is a body corporate and politic. This Commission is a public charitable organization created for the purpose of providing educational, instructional and public broadcasting services to citizens of Georgia. The budget of the Commission must be approved by the State. The Board consists of nine members appointed by the Governor. Financial information presented for the Commission includes its component unit, Foundation for Public Broadcasting in Georgia, Inc.

The **Georgia Rail Passenger Authority** is a body corporate and politic. This Authority is responsible for construction, financing, operation and development of rail passenger service and other public transportation projects. The Board includes one member from each congressional district appointed by the Governor, as well as two appointed members from the State at large.

The **Georgia Regional Transportation Authority** is a body corporate and politic. The purpose of the Authority is to manage land transportation and air quality within certain areas of the State. The Governor appoints the 15 members of the Authority.

The **Georgia Student Finance Authority** is a body corporate and politic. This Authority was created for the purpose of improving higher educational opportunities by providing educational scholarship, grant and loan assistance. A substantial amount of funding is provided to the Authority by the State. State officials comprise four of the 14 members of the Board, and the Governor appoints the remaining 10.

The **Higher Education Foundations** are nonprofit organizations established to secure and manage support for various projects including acquisitions and improvements of properties and facilities for units of the University System of Georgia.

The **Regional Educational Service Agencies** were established to provide shared services to improve the effectiveness of educational programs and services of local school systems and to provide direct instructional programs to selected public school students. The State has 16 of these agencies.

The **Superior Court Clerks' Cooperative Authority** is a body corporate and politic and an instrumentality and public corporation of the State created to provide a cooperative for the development, acquisition and distribution of record management systems, information, services, supplies and materials for superior court clerks of the State. Of the 10 members of the Board, the Governor appoints four. The nature of this organization is such that it would be misleading to exclude it from the reporting entity.



## Description of Nonmajor Component Units

### Tourism / State Attractions

These organizations promote State interests or encourage visitation to the State through the operation and maintenance of various attractions. Organizations involved in such activities are described below:

The **Georgia Agricultural Exposition Authority** is a body corporate and politic. This Authority is responsible for provision of a facility for the agricultural community, for public events, exhibits and other activities and for promotion and staging of a statewide fair. The Governor appoints the nine Board members.

The **Jekyll Island State Park Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority was created to operate and manage resort recreational facilities on Jekyll Island. The Board consists of one State official designated by statute and eight members appointed by the Governor. Financial information presented for the Authority includes its component unit, Jekyll Island Foundation, Inc.

The **Lake Lanier Islands Development Authority** is a body corporate and politic and an instrumentality and public corporation of the State. The purpose of the Authority is to manage, preserve and protect projects on Lake Lanier Islands. The Board consists of one State official designated by statute and eight members appointed by the Governor.

The **North Georgia Mountains Authority** is a body corporate and politic and an instrumentality and public corporation of the State responsible for the construction and management of recreation, accommodation and tourist facilities and services. The Governor appoints the nine members of the Board.

The **Sapelo Island Heritage Authority** is a body corporate and politic. The purpose of the authority is the preservation of the cultural and historic values of Hog Hammock Community located on Greater Sapelo Island. The Board consists of four State officials designated by statute and one member appointed by the Governor.

The **Stone Mountain Memorial Association** is a body corporate and politic and an instrumentality and public corporation of the State. The Authority is responsible for the maintaining and operating of Stone Mountain as a Confederate memorial and public recreational area. The Board consists of one State official designated by statute and nine members appointed by the Governor.

# State of Georgia

## Combining Statement of Net Position

### Nonmajor Component Units

June 30, 2016

(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Military College	Georgia Public Telecommunications Commission
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 201,652	\$ 3,958	\$ 16,910	\$ 466	\$ 10,381	\$ 1,385
Investments	-	-	-	-	-	6,721
Receivables						
Accounts (Net)	17,967	-	770	-	5,604	854
Capital Leases from Primary Government	-	-	-	-	-	-
Interest and Dividends	1,206	-	-	-	-	-
Notes and Loans (Net)	29,797	-	-	-	-	-
Taxes	3,709	-	-	-	-	-
Due from Primary Government	28,488	-	-	-	-	-
Due from Component Units	143	-	-	-	-	-
Intergovernmental Receivables	43	-	160	-	54	-
Other Current Assets	2,650	-	-	-	1,775	-
<b>Noncurrent Assets:</b>						
Investments	-	368	-	-	-	-
Receivables (Net)						
Capital Leases from Primary Government	-	-	-	-	-	-
Notes and Loans	54,050	-	-	-	-	-
Other	-	-	-	-	-	-
Due from Component Units	6,807	-	-	-	-	-
<b>Restricted Assets</b>						
Cash and Cash Equivalents	16,527	-	-	-	190	-
Investments	-	-	-	-	1,234	-
Receivables						
Other	131,601	-	-	-	-	-
Non-depreciable Capital Assets	926,503	42	-	-	891	1,479
Depreciable Capital Assets (Net)	45,548	-	-	-	69,400	2,549
Other Noncurrent Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>1,466,691</b>	<b>4,368</b>	<b>17,840</b>	<b>466</b>	<b>89,529</b>	<b>12,988</b>
<b>Deferred Outflows of Resources</b>	<b>4,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,346</b>	<b>2,451</b>



<u>Georgia Rail Passenger Authority</u>	<u>Georgia Regional Transportation Authority</u>	<u>Georgia Student Finance Authority</u>	<u>Higher Education Foundations</u>	<u>Regional Educational Service Agencies</u>	<u>Superior Court Clerks' Cooperative Authority</u>	<u>Tourism / State Attractions (see combining)</u>	<u>Total</u>
\$ 148	\$ 10,120	\$ 53,763	\$ 286,071	\$ 24,896	\$ 9,149	\$ 19,488	\$ 638,387
-	-	-	159,863	350	-	126	167,060
-	235	7,000	233,023	1,270	928	4,568	272,219
-	-	-	48,728	-	-	-	48,728
-	-	1,985	-	-	-	-	3,191
-	-	96,861	600	-	-	-	127,258
-	-	-	-	-	-	-	3,709
-	-	964	3,739	-	-	-	33,191
-	-	215	-	-	-	-	358
-	5,359	-	-	8,017	-	-	13,633
-	412	252	124,199	2,944	90	3,003	135,325
-	-	-	1,481,367	-	-	3,598	1,485,333
-	-	-	1,547,671	-	-	-	1,547,671
-	-	-	-	-	-	-	54,050
-	-	-	76,059	-	-	-	76,059
-	-	-	7,362	-	-	-	14,169
-	-	-	139,156	-	11,078	-	166,951
-	-	-	194,904	-	-	-	196,138
-	-	-	-	-	-	-	131,601
-	8,200	411	117,013	575	-	46,363	1,101,477
-	17,105	1,085	734,697	4,822	1,214	224,457	1,100,877
-	-	-	46,496	-	-	-	46,496
<u>148</u>	<u>41,431</u>	<u>162,536</u>	<u>5,200,948</u>	<u>42,874</u>	<u>22,459</u>	<u>301,603</u>	<u>7,363,881</u>
-	592	-	73,765	8,017	287	2,167	95,484

(continued)

# State of Georgia

## Combining Statement of Net Position

### Nonmajor Component Units

June 30, 2016

(dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Military College	Georgia Public Telecommunications Commission
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable and Other Accruals	11,903	34	130	-	2,303	303
Due to Primary Government	30,054	-	53	-	-	11
Due to Component Units	-	-	215	-	-	-
Funds Held for Others	-	-	-	-	124	-
Unearned Revenue	47,745	-	-	-	3,261	212
Notes and Loans Payable	-	-	-	-	218	-
Revenue/Mortgage Bonds Payable	-	-	-	-	-	-
Other Current Liabilities	4,791	-	34	-	561	279
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	5,363	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Noncurrent Liabilities:</b>						
Unearned Revenue	139,642	-	-	-	-	-
Notes and Loans Payable	-	-	-	-	2,796	-
Revenue/Mortgage Bonds Payable	-	-	-	-	-	-
Due to Component Units	-	-	-	-	-	-
Derivative Instrument Payable	-	-	-	-	-	-
Net Pension Liability	27,663	-	-	-	23,192	11,496
Other Noncurrent Liabilities	25,043	-	1,748	-	14	2,328
<b>Total Liabilities</b>	<b>292,204</b>	<b>34</b>	<b>2,180</b>	<b>-</b>	<b>32,469</b>	<b>14,629</b>
<b>Deferred Inflows of Resources</b>	<b>2,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,958</b>	<b>934</b>
<b>Net Position</b>						
Net Investment in Capital Assets,	972,048	-	-	-	67,235	4,028
Restricted for:						
Bond Covenants/Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Higher Education	-	-	-	-	-	-
Permanent Trusts	-	-	-	-	-	-
Nonexpendable	-	-	-	-	1,424	-
Other Purposes	3,214	4,296	-	-	-	-
Unrestricted	201,798	38	15,660	466	(14,211)	(4,152)
<b>Total Net Position</b>	<b>\$ 1,177,060</b>	<b>\$ 4,334</b>	<b>\$ 15,660</b>	<b>\$ 466</b>	<b>\$ 54,448</b>	<b>\$ (124)</b>



<u>Georgia Rail Passenger Authority</u>	<u>Georgia Regional Transportation Authority</u>	<u>Georgia Student Finance Authority</u>	<u>Higher Education Foundations</u>	<u>Regional Educational Service Agencies</u>	<u>Superior Court Clerks' Cooperative Authority</u>	<u>Tourism / State Attractions (see combining)</u>	<u>Total</u>
-	3,932	260	91,501	6,611	3,796	2,994	123,767
-	25	-	397,895	4	-	5	428,047
-	-	-	-	-	-	143	358
-	-	-	4,614	-	-	-	4,738
41	-	479	102,857	195	-	1,498	156,288
-	-	-	11,208	-	-	919	12,345
-	-	-	75,708	430	-	443	76,581
-	488	919	100,210	166	-	531	107,979
-	-	-	-	-	-	-	5,363
-	-	-	-	-	8,058	-	8,058
-	-	-	2,485	-	-	-	142,127
-	-	-	99,481	-	-	10,236	112,513
-	-	-	1,955,794	2,425	-	6,760	1,964,979
-	-	-	-	-	-	6,807	6,807
-	-	-	81,231	-	-	-	81,231
-	3,566	-	-	63,372	1,416	12,221	142,926
-	1,122	3,468	70,474	917	-	610	105,724
<u>41</u>	<u>9,133</u>	<u>5,126</u>	<u>2,993,458</u>	<u>74,120</u>	<u>13,270</u>	<u>43,167</u>	<u>3,479,831</u>
-	566	-	-	10,304	328	1,065	21,441
-	23,880	1,459	146,595	3,593	1,215	256,415	1,476,468
-	-	-	26,436	-	-	-	26,436
-	-	-	159,017	-	-	-	159,017
-	-	-	451,781	-	-	-	451,781
-	-	-	818,819	-	-	-	820,243
-	-	110,874	-	-	-	7,281	125,665
<u>107</u>	<u>8,444</u>	<u>45,077</u>	<u>678,607</u>	<u>(37,126)</u>	<u>7,933</u>	<u>(4,158)</u>	<u>898,483</u>
<u>\$ 107</u>	<u>\$ 32,324</u>	<u>\$ 157,410</u>	<u>\$ 2,281,255</u>	<u>\$ (33,533)</u>	<u>\$ 9,148</u>	<u>\$ 259,538</u>	<u>\$ 3,958,093</u>

# State of Georgia

## Combining Statement of Activities Nonmajor Component Units For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Economic Development Organizations (see combining)	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Georgia Highway Authority	Georgia Military College	Georgia Public Telecommunications Commission
Expenses	\$ 231,348	\$ 473	\$ 4,058	\$ -	\$ 70,347	\$ 36,326
<b>Program Revenues:</b>						
Sales and Charges for Services	148,512	206	3,981	-	38,416	5,936
Operating Grants and Contributions	8,553	3,203	14	1	30,727	12,122
Capital Grants and Contributions	545,208	-	-	-	21	430
Total Program Revenues	702,273	3,409	3,995	1	69,164	18,488
Net (Expenses) Revenue	470,925	2,936	(63)	1	(1,183)	(17,838)
<b>General Revenues:</b>						
Taxes	29,610	-	-	-	-	-
Unrestricted Investment Income	-	-	-	-	-	-
Payments from the State of Georgia	38,632	-	-	-	3,548	14,998
Contributions to Permanent Endowments	-	-	-	-	-	-
Total General Revenues	68,242	-	-	-	3,548	14,998
Change in Net Position	539,167	2,936	(63)	1	2,365	(2,840)
Net Position, July 1 - Restated (Note 3)	637,893	1,398	15,723	465	52,083	2,716
Net Position, June 30	\$ 1,177,060	\$ 4,334	\$ 15,660	\$ 466	\$ 54,448	\$ (124)





<u>Georgia Rail Passenger Authority</u>	<u>Georgia Regional Transportation Authority</u>	<u>Georgia Student Finance Authority</u>	<u>Higher Education Foundations</u>	<u>Regional Educational Service Agencies</u>	<u>Superior Court Clerks' Cooperative Authority</u>	<u>Tourism / State Attractions (see combining)</u>	<u>Total</u>
\$ -	\$ 34,657	\$ 38,526	\$ 2,109,943	\$ 95,394	\$ 15,923	\$ 62,108	\$ 2,699,103
-	4,935	42,057	1,130,464	21,271	16,939	51,195	1,463,912
-	19,201	27,000	898,762	79,732	23	2,699	1,082,037
-	-	-	-	-	-	17,721	563,380
-	24,136	69,057	2,029,226	101,003	16,962	71,615	3,109,329
-	(10,521)	30,531	(80,717)	5,609	1,039	9,507	410,226
-	-	-	-	-	-	1,945	31,555
-	-	-	905	-	-	-	905
-	12,682	-	30,910	-	-	974	101,744
-	-	-	49,984	-	-	-	49,984
-	12,682	-	81,799	-	-	2,919	184,188
-	2,161	30,531	1,082	5,609	1,039	12,426	594,414
107	30,163	126,879	2,280,173	(39,142)	8,109	247,112	3,363,679
<u>\$ 107</u>	<u>\$ 32,324</u>	<u>\$ 157,410</u>	<u>\$ 2,281,255</u>	<u>\$ (33,533)</u>	<u>\$ 9,148</u>	<u>\$ 259,538</u>	<u>\$ 3,958,093</u>



## Combining Statement of Net Position Nonmajor Component Units Economic Development Organizations June 30, 2016 (dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 67,430	\$ 13,640	\$ 10,466	\$ 5,115	\$ 105,001	\$ 201,652
Receivables						
Accounts (Net)	15,989	-	1,673	305	-	17,967
Taxes	2,926	-	783	-	-	3,709
Interest and Dividends	-	1,206	-	-	-	1,206
Notes and Loans (Net)	-	13,513	-	-	16,284	29,797
Other	-	-	-	-	28,488	28,488
Due from Component Units	-	-	-	-	143	143
Intergovernmental Receivables	-	-	43	-	-	43
Other Current Assets	392	2,155	19	84	-	2,650
<b>Noncurrent Assets:</b>						
Receivables (Net)						
Notes and Loans	-	54,050	-	-	-	54,050
Due from Component Units	-	-	-	-	6,807	6,807
Restricted Assets						
Cash and Cash Equivalents	16,527	-	-	-	-	16,527
Receivables	131,601	-	-	-	-	131,601
Non-depreciable Capital Assets	926,246	50	-	207	-	926,503
Depreciable Capital Assets (Net)	39,594	396	1,805	3,753	-	45,548
<b>Total Assets</b>	<b>1,200,705</b>	<b>85,010</b>	<b>14,789</b>	<b>9,464</b>	<b>156,723</b>	<b>1,466,691</b>
<b>Deferred Outflows of Resources</b>	<b>4,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,859</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable and Other Accruals	9,491	319	1,418	162	513	11,903
Due to Primary Government	30,054	-	-	-	-	30,054
Unearned Revenue	47,635	-	-	30	80	47,745
Other Current Liabilities	205	4,241	345	-	-	4,791
Current Liabilities Payable from Restricted Assets:						
Accrued Interest Payable	5,363	-	-	-	-	5,363
<b>Noncurrent Liabilities:</b>						
Unearned Revenue	139,642	-	-	-	-	139,642
Net Pension Liability	27,663	-	-	-	-	27,663
Other Noncurrent Liabilities	8,009	16,815	107	-	112	25,043
<b>Total Liabilities</b>	<b>268,062</b>	<b>21,375</b>	<b>1,870</b>	<b>192</b>	<b>705</b>	<b>292,204</b>
<b>Deferred Inflows of Resources</b>	<b>2,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,286</b>
<b>Net Position</b>						
Net Investment in Capital Assets	965,839	445	1,805	3,959	-	972,048
Restricted for:						
Other Purposes	61	3,153	-	-	-	3,214
Unrestricted	(30,684)	60,037	11,114	5,313	156,018	201,798
<b>Total Net Position</b>	<b>\$ 935,216</b>	<b>\$ 63,635</b>	<b>\$ 12,919</b>	<b>\$ 9,272</b>	<b>\$ 156,018</b>	<b>\$ 1,177,060</b>



## Combining Statement of Activities Nonmajor Component Units Economic Development Organizations For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Development Authority	Georgia International and Maritime Trade Center Authority	Georgia Seed Development Commission	OneGeorgia Authority	Total
Expenses	\$ 184,776	\$ 893	\$ 5,776	\$ 4,825	\$ 35,078	\$ 231,348
<b>Program Revenues:</b>						
Sales and Charges for Services	136,011	2,523	4,674	5,304	-	148,512
Operating Grants and Contributions	7,963	-	-	-	590	8,553
Capital Grants and Contributions	545,208	-	-	-	-	545,208
Total Program Revenues	689,182	2,523	4,674	5,304	590	702,273
Net (Expenses) Revenue	504,406	1,630	(1,102)	479	(34,488)	470,925
<b>General Revenues:</b>						
Taxes	25,894	-	3,716	-	-	29,610
Payments from the State of Georgia	-	-	-	-	38,632	38,632
Total General Revenues	25,894	-	3,716	-	38,632	68,242
Change in Net Position	530,300	1,630	2,614	479	4,144	539,167
Net Position, July 1 - Restated (Note 3)	404,916	62,005	10,305	8,793	151,874	637,893
Net Position, June 30	\$ 935,216	\$ 63,635	\$ 12,919	\$ 9,272	\$ 156,018	\$ 1,177,060

# State of Georgia

## Combining Statement of Net Position

### Nonmajor Component Units

### Tourism/State Attractions

June 30, 2016

(dollars in thousands)

	Georgia Agricultural Exposition Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 1,075	\$ 6,512	\$ 4,932
Investments	-	126	-
Receivables			
Accounts (Net)	83	4,218	-
Other Current Assets	-	1,168	-
<b>Noncurrent Assets:</b>			
Investments	-	-	-
Non-depreciable Capital Assets	4,890	13,694	-
Depreciable Capital Assets (Net)	31,389	88,116	31,017
<b>Total Assets</b>	<b>37,437</b>	<b>113,834</b>	<b>35,949</b>
<b>Deferred Outflows of Resources</b>	<b>566</b>	<b>1,486</b>	<b>115</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Other Accruals	-	2,182	5
Due to Primary Government	-	5	-
Due to Component Unit	-	143	-
Unearned Revenue	472	1,026	-
Notes and Loans Payable	-	-	919
Revenue/Mortgage Bonds Payable	-	-	443
Other Current Liabilities	214	317	-
<b>Noncurrent Liabilities:</b>			
Notes and Loans Payable	-	-	10,236
Due to Component Unit	-	6,807	-
Revenue/Mortgage Bonds Payable	-	-	6,760
Net Pension Liability	3,606	8,217	398
Other Noncurrent Liabilities	-	567	43
<b>Total Liabilities</b>	<b>4,292</b>	<b>19,264</b>	<b>18,804</b>
<b>Deferred Inflows of Resources</b>	<b>374</b>	<b>659</b>	<b>32</b>
<b>Net Position</b>			
Net Investment in Capital Assets	36,280	94,608	23,814
Restricted for:			
Other Purposes	81	2,659	4,199
Unrestricted	(3,024)	(1,870)	(10,785)
<b>Total Net Position</b>	<b>\$ 33,337</b>	<b>\$ 95,397</b>	<b>\$ 17,228</b>



North Georgia Mountains Authority	Sapelo Island Heritage Authority	Stone Mountain Memorial Association	Total
\$ 456	\$ 3	\$ 6,510	\$ 19,488
-	-	-	126
13	-	254	4,568
-	-	1,835	3,003
-	-	3,598	3,598
9,609	4,767	13,403	46,363
10,759	-	63,176	224,457
<u>20,837</u>	<u>4,770</u>	<u>88,776</u>	<u>301,603</u>
-	-	-	2,167
50	-	757	2,994
-	-	-	5
-	-	-	143
-	-	-	1,498
-	-	-	919
-	-	-	443
-	-	-	531
-	-	-	10,236
-	-	-	6,807
-	-	-	6,760
-	-	-	12,221
-	-	-	610
<u>50</u>	<u>-</u>	<u>757</u>	<u>43,167</u>
-	-	-	1,065
20,368	4,767	76,578	256,415
342	-	-	7,281
77	3	11,441	(4,158)
<u>\$ 20,787</u>	<u>\$ 4,770</u>	<u>\$ 88,019</u>	<u>\$ 259,538</u>

# State of Georgia

## Combining Statement of Activities Nonmajor Component Units Tourism/State Attractions For the Fiscal Year Ended June 30, 2016 (dollars in thousands)

	Georgia Agricultural Exposition Authority	Jekyll Island State Park Authority	Lake Lanier Islands Development Authority
Expenses	\$ 12,028	\$ 27,064	\$ 4,361
<b>Program Revenues:</b>			
Sales and Charges for Services	10,626	22,258	3,989
Operating Grants and Contributions	-	2,509	-
Capital Grants and Contributions	-	9,035	-
Total Program Revenues	10,626	33,802	3,989
Net (Expenses) Revenue	(1,402)	6,738	(372)
<b>General Revenues:</b>			
Taxes	-	1,945	-
Payments from the State of Georgia	974	-	-
Total General Revenues	974	1,945	-
Change in Net Position	(428)	8,683	(372)
Net Position, July 1 - Restated (Note 3)	33,765	86,714	17,600
Net Position, June 30	\$ 33,337	\$ 95,397	\$ 17,228



<u>North Georgia Mountains Authority</u>	<u>Sapelo Island Heritage Authority</u>	<u>Stone Mountain Memorial Association</u>	<u>Total</u>
<u>\$ 5,247</u>	<u>\$ -</u>	<u>\$ 13,408</u>	<u>\$ 62,108</u>
3,083	-	11,239	51,195
174	-	16	2,699
<u>8,686</u>	<u>-</u>	<u>-</u>	<u>17,721</u>
<u>11,943</u>	<u>-</u>	<u>11,255</u>	<u>71,615</u>
<u>6,696</u>	<u>-</u>	<u>(2,153)</u>	<u>9,507</u>
-	-	-	1,945
<u>-</u>	<u>-</u>	<u>-</u>	<u>974</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,919</u>
6,696	-	(2,153)	12,426
<u>14,091</u>	<u>4,770</u>	<u>90,172</u>	<u>247,112</u>
<u>\$ 20,787</u>	<u>\$ 4,770</u>	<u>\$ 88,019</u>	<u>\$ 259,538</u>





# *STATISTICAL SECTION*



*Tree of Life*  
Clay Fisher





This part of the *Comprehensive Annual Financial Report* presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State’s overall financial health.

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the *Comprehensive Annual Financial Reports* for the relevant year.

# State of Georgia

## Schedule 1

### Net Position by Component For the Last Ten Fiscal Years

(accrual basis of accounting)

(dollars in thousands)

	2016	2015	2014	2013
<b>Governmental Activities</b> <sup>(1) (2) (4)</sup>				
Net Investment in Capital Assets	\$ 17,213,380	\$ 16,562,899	\$ 13,186,605	\$ 13,737,276
Restricted	4,499,014	3,668,030	3,653,903	3,301,316
Unrestricted	(5,745,504)	(6,914,616)	(1,644,265)	(1,781,096)
Total Governmental Activities Net Position	\$ 15,966,890	\$ 13,316,313	\$ 15,196,243	\$ 15,257,496
<b>Business-type Activities</b> <sup>(1) (2) (3)</sup>				
Net Investment in Capital Assets	\$ 7,529,660	\$ 7,344,726	\$ 6,575,166	\$ 6,502,029
Restricted	1,837,521	1,546,723	1,367,598	816,428
Unrestricted	(3,857,184)	(3,957,761)	(820,616)	(1,063,406)
Total Business-type Activities Net Position	\$ 5,509,997	\$ 4,933,688	\$ 7,122,148	\$ 6,255,051
<b>Total Primary Government</b> <sup>(2) (3) (4)</sup>				
Net Investment in Capital Assets	\$ 21,892,080	\$ 20,926,469	\$ 19,761,771	\$ 20,239,305
Restricted	6,336,535	5,214,753	5,021,501	4,117,744
Unrestricted	(6,751,728)	(7,891,221)	(2,464,881)	(2,844,502)
Total Primary Government Net Position	\$ 21,476,887	\$ 18,250,001	\$ 22,318,391	\$ 21,512,547

- (1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-type Activities).
- (2) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority (SRTA), a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.
- (3) Beginning in fiscal year 2013, the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc., the Georgia State University Foundation, Inc., the Georgia State University Research Foundation, Inc., the Georgia Tech Facilities, Inc., the University System of Georgia Foundation, Inc. and the VSU Auxiliary Services Real Estate Foundation, Inc., component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in the fiscal year 2014, the activity of the Georgia Southern University Housing Foundation, Inc., the Middle Georgia State College Real Estate Foundation, Inc., the North Georgia Real Estate Foundation, Inc., and the UWG Real Estate Foundation, component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in fiscal year 2015, the activity of the Georgia State University Foundation, Inc. is discretely presented (previously blended) and the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. Beginning in fiscal year 2016, the Georgia Tech Facilities, Inc., the Middle Georgia State College Real Estate Foundation, Inc., the University of North Georgia Real Estate Foundation, Inc., and the University System of Georgia Foundation, Inc. are discretely presented (previously blended) and the activity of the Georgia State University Research Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds.
- (4) Beginning in fiscal year 2015, Governmental Activities classification of outstanding general obligation bonds for the purposes of capital acquisition and construction on behalf of Business Type Activities, previously reported as net investment in capital assets, is presented as unrestricted. For the Primary Government, the presentation of these outstanding general obligation bonds is presented as net investment in capital assets.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports*



**Fiscal Year**

2012	2011	2010	2009	2008	2007
\$ 13,355,209	\$ 12,880,313	\$ 12,550,617	\$ 12,066,578	\$ 11,979,690	\$ 10,804,344
3,968,493	4,031,347	2,605,116	2,254,051	1,641,507	2,398,250
<u>(2,456,411)</u>	<u>(2,106,699)</u>	<u>(648,171)</u>	<u>(468,978)</u>	<u>1,383,624</u>	<u>2,233,041</u>
<u>\$ 14,867,291</u>	<u>\$ 14,804,961</u>	<u>\$ 14,507,562</u>	<u>\$ 13,851,651</u>	<u>\$ 15,004,821</u>	<u>\$ 15,435,635</u>
\$ 6,257,436	\$ 5,952,035	\$ 5,426,787	\$ 5,178,579	\$ 4,801,548	\$ 4,582,190
457,265	489,736	423,325	1,022,564	1,745,185	1,877,790
<u>(1,293,130)</u>	<u>(1,069,413)</u>	<u>(546,363)</u>	<u>(152,768)</u>	<u>604,035</u>	<u>475,506</u>
<u>\$ 5,421,571</u>	<u>\$ 5,372,358</u>	<u>\$ 5,303,749</u>	<u>\$ 6,048,375</u>	<u>\$ 7,150,768</u>	<u>\$ 6,935,486</u>
\$ 19,612,645	\$ 18,832,348	\$ 17,977,404	\$ 17,245,157	\$ 16,781,238	\$ 15,386,534
4,425,758	4,521,083	3,028,441	3,276,615	3,386,692	4,276,040
<u>(3,749,541)</u>	<u>(3,176,112)</u>	<u>(1,194,534)</u>	<u>(621,746)</u>	<u>1,987,659</u>	<u>2,708,547</u>
<u>\$ 20,288,862</u>	<u>\$ 20,177,319</u>	<u>\$ 19,811,311</u>	<u>\$ 19,900,026</u>	<u>\$ 22,155,589</u>	<u>\$ 22,371,121</u>

# State of Georgia

## Schedule 2

### Changes in Net Position For the Last Ten Fiscal Years

(accrual basis of accounting)

(dollars in thousands)

	2016	2015	2014	2013
<b>Expenses</b>				
Governmental Activities				
General Government <sup>(1)</sup>	\$ 1,385,643	\$ 1,735,174	\$ 1,658,846	\$ 1,606,626
Education	12,024,645	11,408,408	10,788,262	10,770,532
Health and Welfare	16,795,986	16,589,708	16,107,840	16,033,221
Transportation <sup>(2)</sup>	1,917,223	1,904,464	1,845,850	1,656,662
Public Safety	2,145,769	1,994,413	2,002,615	2,012,501
Economic Development and Assistance	509,074	590,676	510,338	515,874
Culture and Recreation	279,772	236,922	247,170	240,018
Conservation	59,409	54,280	37,002	51,038
Interest and Other Charges on Long-Term Debt <sup>(2)</sup>	424,595	678,888	592,668	616,328
Total Governmental Activities	<u>35,542,116</u>	<u>35,192,933</u>	<u>33,790,591</u>	<u>33,502,800</u>
Business-type Activities				
Georgia Technology Authority <sup>(1)</sup>	-	-	-	-
Higher Education Fund <sup>(3)</sup>	8,576,540	8,323,884	7,984,962	7,931,918
State Employees' Health Benefit Plan	2,153,073	2,025,638	2,032,910	2,193,829
Unemployment Compensation Fund	379,714	458,112	1,152,763	1,858,989
Nonmajor Enterprise Funds <sup>(2)(3)</sup>	11,587	158,809	229,630	191,949
Total Business-type Activities	<u>11,120,914</u>	<u>10,966,443</u>	<u>11,400,265</u>	<u>12,176,685</u>
Total Primary Government Expenses	<u>\$ 46,663,030</u>	<u>\$ 46,159,376</u>	<u>\$ 45,190,856</u>	<u>\$ 45,679,485</u>
<b>Program Revenues</b>				
Governmental Activities <sup>(1)(2)(4)</sup>				
Sales and Charges for Services				
General Government	\$ 799,281	\$ 621,448	\$ 2,770,681	\$ 2,205,860
Health and Welfare	91,838	134,140	562,606	576,110
Public Safety	167,297	157,056	154,324	161,190
Other Sales and Charges for Services	275,045	260,346	236,035	235,067
Operating Grants and Contributions	15,372,385	15,758,799	14,780,822	15,317,258
Capital Grants and Contributions	1,377,654	1,182,723	1,239,876	1,310,696
Total Governmental Activities	<u>18,083,500</u>	<u>18,114,512</u>	<u>19,744,344</u>	<u>19,806,181</u>
Business-type Activities <sup>(1)(2)</sup>				
Sales and Charges for Services				
Georgia Technology Authority	-	-	-	-
Higher Education Fund <sup>(3)</sup>	3,509,384	3,241,333	2,993,298	2,992,037
State Health Benefit Plan <sup>(5)</sup>	2,121,100	2,363,917	-	-
Unemployment Compensation Fund <sup>(5)</sup>	785,392	849,070	-	-
Nonmajor Enterprise Funds <sup>(2)(3)</sup>	11,640	95,020	146,407	114,152
Operating Grants and Contributions	2,636,285	2,611,058	6,695,670	7,251,162
Capital Grants and Contributions	60,543	102,216	36,664	90,665
Total Business-type Activities	<u>9,124,344</u>	<u>9,262,614</u>	<u>9,872,039</u>	<u>10,448,016</u>
Total Primary Government Program Revenues	<u>\$ 27,207,844</u>	<u>\$ 27,377,126</u>	<u>\$ 29,616,383</u>	<u>\$ 30,254,197</u>
<b>Net (Expense) Revenue</b>				
Governmental Activities <sup>(1)(2)</sup>	\$ (17,458,616)	\$ (17,078,421)	\$ (14,046,247)	\$ (13,696,619)
Business-type Activities <sup>(1)(2)(3)</sup>	(1,996,570)	(1,703,829)	(1,528,226)	(1,728,669)
Total Primary Government	<u>\$ (19,455,186)</u>	<u>\$ (18,782,250)</u>	<u>\$ (15,574,473)</u>	<u>\$ (15,425,288)</u>



**Fiscal Year**

2012	2011	2010	2009	2008	2007
\$ 1,326,657	\$ 1,222,954	\$ 1,467,147	\$ 1,904,893	\$ 1,896,438	\$ 1,830,659
10,100,155	10,002,351	10,731,693	10,085,766	10,812,665	9,948,891
15,657,704	14,745,268	14,210,928	13,118,680	12,256,789	11,764,652
1,519,707	1,517,213	1,752,933	1,786,808	3,056,226	1,705,285
1,912,814	1,974,964	1,834,315	1,972,187	2,130,454	1,891,555
783,308	843,912	808,742	735,415	504,897	759,979
233,043	233,608	287,860	273,401	251,055	286,132
50,334	59,159	62,059	69,726	69,836	102,149
638,775	462,602	446,520	466,077	405,255	385,449
<u>32,222,497</u>	<u>31,062,031</u>	<u>31,602,197</u>	<u>30,412,953</u>	<u>31,383,615</u>	<u>28,674,751</u>
-	-	-	-	-	-
7,916,281	7,622,542	7,067,724	6,728,721	6,242,687	5,592,755
2,362,677	2,224,280	2,298,354	2,211,087	2,043,604	1,868,431
2,240,295	2,954,208	4,011,802	2,435,344	774,030	626,058
35,735	26,613	26,174	17,835	15,110	12,845
<u>12,554,988</u>	<u>12,827,643</u>	<u>13,404,054</u>	<u>11,392,987</u>	<u>9,075,431</u>	<u>8,100,089</u>
<u>\$ 44,777,485</u>	<u>\$ 43,889,674</u>	<u>\$ 45,006,251</u>	<u>\$ 41,805,940</u>	<u>\$ 40,459,046</u>	<u>\$ 36,774,840</u>
\$ 1,912,183	\$ 1,887,736	\$ 1,763,847	\$ 1,654,486	\$ 1,634,855	\$ 1,653,554
489,289	473,934	245,953	367,829	321,172	504,520
162,970	160,161	135,736	232,579	278,675	334,033
264,309	248,385	263,202	225,419	245,978	258,936
14,764,360	14,029,675	15,656,694	12,714,639	11,886,083	10,041,218
1,142,924	1,473,052	1,599,721	1,286,969	1,426,839	1,213,420
<u>18,736,035</u>	<u>18,272,943</u>	<u>19,665,153</u>	<u>16,481,921</u>	<u>15,793,602</u>	<u>14,005,681</u>
-	-	-	-	-	-
2,922,710	2,647,604	2,408,042	2,103,284	1,834,826	1,694,368
-	-	-	-	-	-
-	-	-	-	-	223
38,716	35,476	34,142	27,669	20,648	20,854
7,245,740	7,557,366	7,837,041	5,376,243	4,509,566	4,214,533
36,157	106,217	41,634	45,385	111,055	48,490
<u>10,243,323</u>	<u>10,346,663</u>	<u>10,320,859</u>	<u>7,552,581</u>	<u>6,476,095</u>	<u>5,978,468</u>
<u>\$ 28,979,358</u>	<u>\$ 28,619,606</u>	<u>\$ 29,986,012</u>	<u>\$ 24,034,502</u>	<u>\$ 22,269,697</u>	<u>\$ 19,984,149</u>
\$ (13,486,462)	\$ (12,789,088)	\$ (11,937,044)	\$ (13,931,032)	\$ (15,590,013)	\$ (14,669,070)
(2,311,665)	(2,480,980)	(3,083,195)	(3,840,406)	(2,599,336)	(2,121,621)
<u>\$ (15,798,127)</u>	<u>\$ (15,270,068)</u>	<u>\$ (15,020,239)</u>	<u>\$ (17,771,438)</u>	<u>\$ (18,189,349)</u>	<u>\$ (16,790,691)</u>

(continued)

# State of Georgia

## Schedule 2

### Changes in Net Position

#### For the Last Ten Fiscal Years

(accrual basis of accounting)

(dollars in thousands)

(continued)

	2016	2015	2014	2013
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities <sup>(1)(2)</sup>				
General Revenues				
Taxes				
Individual Income	\$ 9,799,035	\$ 9,769,658	\$ 8,976,720	\$ 8,854,916
Sales - General	5,730,560	5,235,481	4,988,620	5,082,342
Motor Vehicle License and Title ad valorem Taxes <sup>(4)</sup>	1,307,054	1,167,421	-	-
Other Taxes	4,165,717	2,998,974	2,947,574	2,708,094
Lottery for Education - Lottery Proceeds <sup>(4)</sup>	1,097,823	980,653	-	-
Nursing Home and Hospital Provider Fees <sup>(4)</sup>	434,126	454,372	-	-
Tobacco Settlement Funds <sup>(4)</sup>	137,035	138,385	-	-
Unrestricted Investment Income	33,936	9,103	4,995	323
Unclaimed Property	153,257	156,360	148,129	138,832
Other	12,916	9,646	12,112	126,862
Special Items	-	-	-	-
Transfers	(2,639,131)	(2,657,978)	(2,308,895)	(2,377,595)
Total Governmental Activities	<u>20,232,328</u>	<u>18,262,075</u>	<u>14,769,255</u>	<u>14,533,774</u>
Business-type Activities <sup>(1)(2)</sup>				
General Revenues				
Unrestricted Investment Income	-	-	-	-
Contributions to Permanent Endowments	137	-	7,522	1,231
Transfers	2,639,131	2,657,978	2,308,895	2,377,595
Total Business-type Activities	<u>2,639,268</u>	<u>2,657,978</u>	<u>2,316,417</u>	<u>2,378,826</u>
<b>Total Primary Government General Revenues and Other Changes in Net Position</b>	<u>\$ 22,871,596</u>	<u>\$ 20,920,053</u>	<u>\$ 17,085,672</u>	<u>\$ 16,912,600</u>
<b>Changes in Net Position</b>				
Governmental Activities <sup>(1)(2)</sup>	\$ 2,773,712	\$ 1,183,654	\$ 723,008	\$ 837,155
Business-type Activities <sup>(1)(2)(3)</sup>	642,698	954,149	788,191	650,157
Total Primary Government	<u>\$ 3,416,410</u>	<u>\$ 2,137,803</u>	<u>\$ 1,511,199</u>	<u>\$ 1,487,312</u>

(1) Beginning in fiscal year 2007, the Georgia Technology Authority is reported as an internal service fund serving primarily governmental organizations and, as such, its activity and balances are included in Governmental Activities (previously reported in Business-type Activities).

(2) Beginning in fiscal year 2007, the funds of SRTA, a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances are included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.

(3) Beginning in fiscal year 2013, the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc., the Georgia State University Foundation, Inc., the Georgia State University Research Foundation, Inc., the Georgia Tech Facilities, Inc., the University System of Georgia Foundation, Inc. and the VSU Auxiliary Services Real Estate Foundation, Inc., component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in the fiscal year 2014, the activity of the Georgia Southern University Housing Foundation, Inc., the Middle Georgia State College Real Estate Foundation, Inc., the North Georgia Real Estate Foundation, Inc., and the UWG Real Estate Foundation, component units, are blended with those of the nonmajor enterprise funds (previously discretely presented). Beginning in fiscal year 2015, the activity of the Georgia State University Foundation, Inc. is discretely presented (previously blended) and the activity of the Armstrong Atlantic State University Educational Properties Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. Beginning in fiscal year 2016, the Georgia Tech Facilities, Inc., the Middle Georgia State College Real Estate Foundation, Inc., the University of North Georgia Real Estate Foundation, Inc., and the University System of Georgia Foundation, Inc. are discretely presented (previously blended) and the activity of the Georgia State University Research Foundation, Inc. is removed as it no longer met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. Additionally, Georgia Southern University Housing Foundation, Inc., UWG Real Estate Foundation, Inc.; and VSU Auxiliary Services Real Estate Foundation, Inc. are reported in the Higher Education Fund (previously blended nonmajor enterprise funds).

(4) Beginning in fiscal year 2015, Motor Vehicle License and Title ad valorem Taxes, Lottery for Education - Lottery Proceeds, Nursing Home and Hospital Provider Fees, and Tobacco Settlement Funds, previously reported within the General Government function program revenues, are reported as general revenues of the Governmental Activities.

(5) Beginning in fiscal year 2015, State Health Benefit Plan - Contributions/Premiums and Unemployment Compensation Fund - Contributions, previously reported within Program Revenues, Business-type Activities, Operating Grants and Contributions are reported as Sales and Charges for Services.

Source: Financial Statements included in Current and Prior Years' Comprehensive Annual Financial Reports and supporting working papers (certain amounts restated for purposes of comparability)





**Fiscal Year**

	2012	2011	2010	2009	2008	2007
\$	8,196,187	\$ 7,797,739	\$ 7,109,984	\$ 7,794,606	\$ 8,834,591	\$ 8,831,753
	5,141,871	5,133,404	5,196,117	5,080,946	5,760,691	6,234,221
	-	-	-	-	-	-
	2,636,648	2,330,338	2,334,928	2,370,848	2,694,710	2,810,010
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	6,183	(3,066)	993	63,074	264,448	470,480
	83,215	98,098	85,277	35,356	58,857	140,367
	12,909	30,285	44,183	112,681	247,322	54,317
	-	288,000	(10,090)	-	-	-
	<u>(2,346,986)</u>	<u>(2,532,118)</u>	<u>(2,269,701)</u>	<u>(2,679,135)</u>	<u>(2,670,418)</u>	<u>(2,478,882)</u>
	<u>13,730,027</u>	<u>13,142,680</u>	<u>12,491,691</u>	<u>12,778,376</u>	<u>15,190,201</u>	<u>16,062,266</u>
	-	-	-	76,060	134,436	147,034
	-	-	-	-	-	47
	<u>2,346,986</u>	<u>2,532,118</u>	<u>2,269,701</u>	<u>2,679,135</u>	<u>2,670,418</u>	<u>2,478,882</u>
	<u>2,346,986</u>	<u>2,532,118</u>	<u>2,269,701</u>	<u>2,755,195</u>	<u>2,804,854</u>	<u>2,625,963</u>
\$	<u>16,077,013</u>	<u>15,674,798</u>	<u>14,761,392</u>	<u>15,533,571</u>	<u>17,995,055</u>	<u>18,688,229</u>
\$	243,565	\$ 353,592	\$ 554,647	\$ (1,152,656)	\$ (399,812)	\$ 1,393,196
	35,321	51,138	(813,494)	(1,085,211)	205,518	504,342
	<u>278,886</u>	<u>404,730</u>	<u>(258,847)</u>	<u>(2,237,867)</u>	<u>(194,294)</u>	<u>1,897,538</u>

# State of Georgia

## Schedule 3

### Fund Balances of Governmental Funds

#### For the Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	2016	2015	2014	2013	2012
<b>General Fund</b>					
Nonspendable	\$ 66,744	\$ 50,979	\$ 54,972	\$ 56,937	\$ 74,206
Restricted	4,112,561	3,284,676	3,371,495	3,177,010	3,004,697
Unrestricted					
Committed	9,287	7,713	3,232	4,954	7,695
Assigned	345,667	444,077	325,552	365,985	298,557
Unassigned	1,795,230	1,282,974	1,073,662	798,630	334,655
Reserved	-	-	-	-	-
Unreserved	-	-	-	-	-
<b>Total General Fund</b>	<b>\$ 6,329,489</b>	<b>\$ 5,070,419</b>	<b>\$ 4,828,913</b>	<b>\$ 4,403,516</b>	<b>\$ 3,719,810</b>
<b>All Other Governmental Funds</b> <sup>(1) (2)</sup>					
Nonspendable	\$ 136	\$ 257	\$ 14	\$ 14	\$ 8,398
Restricted	1,242,119	1,074,877	1,216,195	1,065,153	963,782
Unrestricted					
Assigned	69,288	60,062	74,489	55,061	18,227
Reserved	-	-	-	-	-
Unreserved, Reported in					
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 1,311,543</b>	<b>\$ 1,135,196</b>	<b>\$ 1,290,698</b>	<b>\$ 1,120,228</b>	<b>\$ 990,407</b>

(1) Beginning in fiscal year 2007, the funds of SRTA, a component unit, was blended with those of the primary government (previously discretely presented). As such, the balances of its General Fund are included in the State's Special Revenue Funds. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Special Revenue Funds. The Georgia Higher Education Facilities Authority, a blended component unit, was reported in the State's Capital Projects Funds in fiscal year 2008. Beginning in fiscal year 2009, the balances of this organization are included in the State's Nonmajor Enterprise Funds.

(2) Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports*  
(certain amounts restated for purposes of comparability)



**Fiscal Year**

2011	2010	2009	2008	2007
\$ 94,810	\$ -	\$ -	\$ -	\$ -
2,951,729	-	-	-	-
9,403	-	-	-	-
256,676	-	-	-	-
401,414	-	-	-	-
-	3,737,311	3,520,953	2,837,792	3,487,699
-	(41,837)	(492,520)	1,489,500	2,077,088
<u>\$ 3,714,032</u>	<u>\$ 3,695,474</u>	<u>\$ 3,028,433</u>	<u>\$ 4,327,292</u>	<u>\$ 5,564,787</u>
\$ 68	\$ -	\$ -	\$ -	\$ -
1,079,604	-	-	-	-
20,442	-	-	-	-
-	43,114	14	14	14
-	33,319	436,838	286,451	187,585
-	1,323,352	1,496,019	1,195,760	1,476,288
<u>\$ 1,100,114</u>	<u>\$ 1,399,785</u>	<u>\$ 1,932,871</u>	<u>\$ 1,482,225</u>	<u>\$ 1,663,887</u>

# State of Georgia

## Schedule 4

### Changes in Fund Balances of Governmental Funds

#### For the Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

	2016	2015	2014	2013	2012
<b>Revenues <sup>(1)</sup></b>					
Taxes					
Individual Income	\$ 10,078,312	\$ 9,714,090	\$ 8,976,720	\$ 8,854,916	\$ 8,196,187
Sales - General	5,473,282	5,263,011	4,988,620	5,082,342	5,141,871
Motor Vehicle License and Title ad valorem Taxes <sup>(3)</sup>	1,307,054	1,167,421	-	-	-
Other Taxes	3,836,351	3,095,527	2,947,574	2,708,094	2,636,648
Licenses and Permits	499,313	328,028	1,387,113	753,517	593,541
Intergovernmental - Federal	15,946,548	16,056,116	15,359,809	15,935,839	15,294,531
Intergovernmental - Other	547,897	646,442	590,000	626,723	505,974
Operating Grants and Contributions - Premiums	55,305	54,951	-	-	-
Sales and Services	403,849	439,342	449,697	483,606	440,951
Fines and Forfeits	464,064	444,301	446,646	607,862	450,457
Interest and Other Investment Income	50,219	26,243	23,365	7,244	18,580
Unclaimed Property	153,257	156,360	148,129	138,832	83,215
Lottery Proceeds	1,097,823	980,653	945,097	927,479	901,329
Nursing Home Provider Fees	163,524	175,414	169,521	176,864	132,393
Hospital Provider Payments	270,602	278,958	237,978	232,080	225,260
Other	75,469	74,141	68,375	75,148	72,657
<b>Total Revenues</b>	<b>40,422,869</b>	<b>38,900,998</b>	<b>36,738,644</b>	<b>36,610,546</b>	<b>34,693,594</b>
<b>Expenditures <sup>(1)</sup></b>					
Current					
General Government	1,021,257	1,059,255	1,119,722	1,045,120	920,513
Education	12,010,308	11,435,031	10,787,182	10,768,786	10,099,224
Health and Welfare	16,872,312	16,713,851	16,106,379	16,031,121	15,668,820
Transportation	2,181,785	2,095,554	1,847,149	1,879,877	1,664,812
Public Safety	2,193,494	2,122,905	1,969,468	2,033,814	1,921,717
Economic Development and Assistance	600,031	610,472	512,286	494,016	782,055
Culture and Recreation	304,703	263,263	257,416	263,636	258,472
Conservation	56,514	53,394	47,471	51,314	54,694
Capital Outlay	765,976	1,010,110	699,126	600,128	674,905
Debt Service					
Principal	988,145	966,445	850,290	774,855	803,600
Interest	449,666	460,214	466,787	461,432	475,208
Other Charges	25,848	27,284	75,372	155,290	98,368
Intergovernmental	200,373	223,531	209,097	138,161	239,879
<b>Total Expenditures</b>	<b>37,670,412</b>	<b>37,041,309</b>	<b>34,947,745</b>	<b>34,697,550</b>	<b>33,662,267</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,752,457	1,859,689	1,790,899	1,912,996	1,031,327



**Fiscal Year**

	2011	2010	2009	2008	2007
\$	7,797,739	\$ 7,109,984	\$ 7,794,606	\$ 8,834,591	\$ 8,831,754
	5,133,404	5,196,117	5,080,946	5,760,691	6,234,221
	-	-	-	-	-
	2,330,338	2,334,928	2,370,848	2,694,710	2,810,010
	581,994	507,764	667,363	682,940	649,930
	14,709,708	16,456,059	13,417,524	11,623,735	10,648,457
	652,244	569,179	360,531	405,077	401,637
	-	-	-	-	-
	471,236	490,954	392,097	376,674	687,277
	458,341	300,032	335,485	321,804	344,139
	12,930	41,535	138,077	240,337	443,226
	98,098	85,277	35,356	58,857	140,367
	846,106	883,882	872,136	867,686	853,641
	128,771	122,047	122,623	133,974	111,768
	215,080	-	-	-	-
	94,327	96,393	157,741	152,296	258,313
	<u>33,530,316</u>	<u>34,194,151</u>	<u>31,745,333</u>	<u>32,153,372</u>	<u>32,414,740</u>
	873,658	860,558	1,250,409	1,251,265	1,207,057
	9,981,903	10,719,216	10,083,963	10,481,854	9,945,327
	14,721,528	14,211,763	13,097,393	12,475,474	11,724,373
	1,699,712	2,127,591	2,725,244	3,256,231	2,628,075
	1,874,257	1,895,659	1,976,831	2,035,807	1,841,350
	836,341	787,261	718,858	816,766	739,998
	275,974	275,746	306,434	315,578	293,620
	51,573	62,430	65,007	69,883	101,773
	882,731	500,166	560,229	471,251	474,050
	845,300	804,560	801,565	750,909	679,216
	493,845	485,195	469,281	434,494	409,632
	57,923	42,203	36,059	(2,342)	(10,855)
	153,190	220,118	377,607	341,524	324,056
	<u>32,747,935</u>	<u>32,992,466</u>	<u>32,468,880</u>	<u>32,698,694</u>	<u>30,357,672</u>
	<u>782,381</u>	<u>1,201,685</u>	<u>(723,547)</u>	<u>(545,322)</u>	<u>2,057,068</u>

(continued)

# State of Georgia

## Schedule 4

### Changes in Fund Balances of Governmental Funds

#### For the Last Ten Fiscal Years

(modified accrual basis of accounting)

(dollars in thousands)

(continued)

	2016	2015	2014	2013	2012
<b>Other Financing Sources (Uses) <sup>(1)</sup></b>					
General Obligation Bonds Issuance	1,008,355	823,555	857,670	834,870	803,615
Refunding Bonds Issuance	275,985	159,350	-	486,825	719,465
Revenue Bond Issuance	-	11,057	32,718	-	-
Debt Issuance - Other	20,926	-	-	-	-
Premium on General Obligation Bonds Sold	94,194	78,602	62,075	124,742	78,781
Premium on Refunding Bonds Sold	-	13,819	-	102,681	86,523
Premium on Revenue Bonds Sold	-	-	-	-	-
Accrued Interest on Refunding Bonds Sold	-	-	-	-	-
Accrued Interest on Revenue Bonds Sold	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	(302,322)	(173,032)	-	(587,396)	(805,945)
Proceeds from Disposition of General Capital Assets	-	-	-	-	-
Capital Leases	27,617	12,825	8,207	5,847	11,179
Transfers In	1,718,186	1,609,361	1,550,566	1,424,420	1,414,093
Transfers Out	(4,081,733)	(3,882,868)	(3,706,268)	(3,481,263)	(3,409,603)
<b>Net Other Financing Sources (Uses)</b>	<b>(1,238,792)</b>	<b>(1,347,331)</b>	<b>(1,195,032)</b>	<b>(1,089,274)</b>	<b>(1,101,892)</b>
Special Item	-	-	-	-	-
Other Adjustments to Fund Balance	-	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$ 1,513,665</b>	<b>\$ 512,358</b>	<b>\$ 595,867</b>	<b>\$ 823,722</b>	<b>\$ (70,565)</b>
Debt Service Expenditures as a Percentage of Noncapital Expenditures <sup>(2)</sup>	4.33%	3.46%	3.78%	3.08%	3.99%

(1) Beginning in fiscal year 2007, the funds of SRTA, a component unit, was blended with those of the primary government (previously discretely presented). As such, the balances of its General Fund are included in the State's Special Revenue Funds. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Special Revenue Funds. The Georgia Higher Education Facilities Authority, a blended component unit, was reported in the State's Capital Projects Funds in fiscal year 2008. Beginning in fiscal year 2009, the balances of this organization are included in the State's Nonmajor Enterprise Funds.

(2) Noncapital expenditures are calculated as total expenditures less capital outlay expenditures less capital expenditures in current expenditure functions. Capital expenditures in current expenditure functions are identified in the process of reconciling Governmental Funds to Governmental Activities.

(3) Beginning in fiscal year 2015, Motor Vehicle License and Title ad valorem Taxes previously reported as Licenses and Permits are reported as Taxes.

Source: Financial Statements included in Current and Prior Years' *Comprehensive Annual Financial Reports* and supporting working papers



**Fiscal Year**

2011	2010	2009	2008	2007
653,925	793,855	1,445,645	946,035	1,410,648
344,420	640,825	149,730	-	213,720
-	-	600,000	600,000	450,000
-	-	-	-	-
32,170	25,206	84,867	16,828	3,894
55,821	112,131	21,730	-	18,922
-	-	57,683	39,911	19,967
-	-	-	-	742
-	-	538	-	-
(398,339)	(750,209)	(171,307)	-	(235,516)
-	-	-	1,661	-
25,851	6,201	2,259	825	777
1,467,443	1,959,530	2,151,031	2,121,862	1,925,552
<u>(3,532,786)</u>	<u>(3,923,140)</u>	<u>(4,466,328)</u>	<u>(4,599,625)</u>	<u>(4,211,954)</u>
(1,351,495)	(1,135,601)	(124,152)	(872,503)	(403,248)
288,000	-	-	-	-
-	-	-	(1,332)	98,119
<u>\$ (281,114)</u>	<u>\$ 66,084</u>	<u>\$ (847,699)</u>	<u>\$ (1,419,157)</u>	<u>\$ 1,751,939</u>
4.44%	4.62%	6.20%	8.88%	6.57%

# State of Georgia

## Schedule 5

### Revenue Base - Personal Income by Industry

### For the Last Ten Calendar Years

(dollars in millions)

	2015	2014	2013	2012
Accommodation and Food Services	\$ 9,838	\$ 9,551	\$ 8,969	\$ 8,595
Administrative and Waste Management Services	15,166	14,828	13,744	12,873
Arts, Entertainment and Recreation	2,231	2,379	2,277	2,162
Construction	15,391	14,766	13,365	12,471
Educational Services	4,705	4,638	4,391	4,318
Farm Earnings	2,476	3,230	3,640	3,429
Federal Government - Civilian	10,421	9,824	9,796	10,076
Federal Government - Military	6,825	6,833	7,048	7,229
Finance and Insurance	18,663	18,200	17,386	16,492
Forestry, Fishing and Related Activities	1,010	1,010	872	847
Health Care and Social Assistance	29,914	28,658	27,487	26,127
Information	15,118	12,225	11,414	10,922
Management of Companies and Enterprises	8,179	7,776	7,009	6,626
Manufacturing	27,921	26,822	25,876	24,977
Mining	560	592	558	524
Other Services, Except Public Administration	10,309	10,460	10,055	9,619
Professional, Scientific and Technical Services	30,183	28,908	26,708	25,972
Real Estate, Rental and Leasing	5,784	6,454	6,135	5,740
Retail Trade	19,046	18,127	17,303	16,415
State and Local Government	33,051	32,454	32,139	32,100
Transportation and Warehousing	14,838	13,881	13,143	12,498
Utilities	2,657	2,435	2,401	2,294
Wholesale Trade	20,493	19,539	18,709	17,917
Other	106,943	101,183	97,731	98,926
<b>Total Personal Income</b>	<b>\$ 411,722</b>	<b>\$ 394,773</b>	<b>\$ 378,156</b>	<b>\$ 369,149</b>
 Average Effective Rate <sup>(1)</sup>	 2.4%	 2.3%	 2.3%	 2.2%

(1) The total direct rate for personal income is not available. The average effective rate was calculated by dividing individual income tax collections on a fiscal year basis (see Schedule 4) by total personal income on a calendar year basis.

Source: U. S. Department of Commerce, Bureau of Economic Analysis





**Calendar Year**

	2011	2010	2009	2008	2007	2006
\$	8,040	\$ 7,625	\$ 7,504	\$ 7,748	\$ 7,725	\$ 7,491
	12,418	11,618	11,128	11,764	11,783	11,336
	2,066	1,995	1,970	1,989	1,969	1,831
	12,113	12,274	13,103	15,638	17,401	17,507
	4,134	3,980	3,857	3,589	3,394	3,190
	1,982	1,749	1,972	2,606	1,838	1,570
	10,303	10,043	9,332	8,746	8,445	8,016
	7,500	7,529	7,251	6,926	6,195	5,881
	15,364	15,007	16,574	18,082	16,776	15,501
	761	778	700	700	732	756
	25,083	24,282	23,570	22,445	21,186	20,004
	10,239	9,974	10,627	11,481	11,858	11,591
	5,974	5,471	5,504	5,374	5,750	5,448
	24,267	22,969	22,986	25,374	26,185	26,260
	505	412	375	469	527	524
	9,095	8,807	8,687	8,701	9,075	8,886
	24,313	22,853	23,092	24,526	22,697	21,445
	4,780	3,852	3,683	4,509	4,708	5,438
	15,985	15,472	15,391	16,039	16,659	16,315
	31,825	31,814	30,909	30,728	29,383	28,469
	11,945	11,092	10,708	11,318	11,608	10,227
	2,422	2,161	2,355	2,300	2,185	2,169
	17,238	16,700	16,701	17,867	17,825	16,750
	98,954	85,102	82,481	80,981	76,455	68,427
<b>\$</b>	<b>357,306</b>	<b>\$ 333,559</b>	<b>\$ 330,460</b>	<b>\$ 339,900</b>	<b>\$ 332,359</b>	<b>\$ 315,032</b>

2.2%                      2.1%                      2.4%                      2.6%                      2.7%                      2.6%



## Schedule 6

### Individual Income Tax Rates by Filing Status and Income Level For the Last Ten Calendar Years

#### Filing Status

#### Georgia Taxable Net Income Level

2007-2016

#### Single

Not Over \$750	1%
Over \$750 But Not Over \$2,250	\$7.50 Plus 2% of Amount Over \$750
Over \$2,250 But Not Over \$3,750	\$37.50 Plus 3% of Amount Over \$2,250
Over \$3,750 But Not Over \$5,250	\$82.50 Plus 4% of Amount Over \$3,750
Over \$5,250 But Not Over \$7,000	\$142.50 Plus 5% of Amount Over \$5,250
Over \$7,000	\$230.00 Plus 6% of Amount Over \$7,000

#### Married Filing Separately

Not Over \$500	1%
Over \$500 But Not Over \$1,500	\$5.00 Plus 2% of Amount Over \$500
Over \$1,500 But Not Over \$2,500	\$25.00 Plus 3% of Amount Over \$1,500
Over \$2,500 But Not Over \$3,500	\$55.00 Plus 4% of Amount Over \$2,500
Over \$3,500 But Not Over \$5,000	\$95.00 Plus 5% of Amount Over \$3,500
Over \$5,000	\$170.00 Plus 6% of Amount Over \$5,000

#### Head of Household and Married Filing Jointly

Not Over \$1,000	1%
Over \$1,000 But Not Over \$3,000	\$10.00 Plus 2% of Amount Over \$1,000
Over \$3,000 But Not Over \$5,000	\$50.00 Plus 3% of Amount Over \$3,000
Over \$5,000 But Not Over \$7,000	\$110.00 Plus 4% of Amount Over \$5,000
Over \$7,000 But Not Over \$10,000	\$190.00 Plus 5% of Amount Over \$7,000
Over \$10,000	\$340.00 Plus 6% of Amount Over \$10,000

Source: OCGA Section 48-7-20, Paragraph (b)(1)



## Schedule 7

### Individual Income Tax Filers and Liability by Income Level For Calendar Years 2014(1) and 2005

(dollars, except income level, are in thousands)

2014(1)				
<u>Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$1,000 and under (2)	821,848	18.4%	\$ 618,263	6.6%
\$1,001 to \$5,000	227,453	5.1%	2	0.0%
\$5,001 to \$10,000	338,507	7.6%	10,697	0.1%
\$10,001 to \$15,000	370,332	8.3%	48,715	0.5%
\$15,001 to \$20,000	324,541	7.3%	98,832	1.1%
\$20,001 to \$25,000	278,886	6.2%	147,282	1.6%
\$25,001 to \$30,000	242,699	5.4%	183,726	2.0%
\$30,001 to \$50,000	658,156	14.7%	852,068	9.1%
\$50,001 to \$100,000	709,886	15.9%	1,971,099	21.0%
\$100,001 to \$500,000	472,580	10.6%	3,653,084	38.8%
\$500,001 to \$1,000,000	18,137	0.4%	624,314	6.6%
\$1,000,001 and higher	8,282	0.2%	1,199,754	12.6%
<b>Totals</b>	<b>4,471,307</b>	<b>100.0%</b>	<b>\$ 9,407,837</b>	<b>100.0%</b>

2005				
<u>Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total</u>	<u>Personal Income Tax Liability</u>	<u>Percentage of Total</u>
\$1,000 and under (2)	510,000	13.3%	\$ 458,963	6.4%
\$1,001 to \$5,000	263,000	6.9%	10	0.0%
\$5,001 to \$10,000	343,000	8.9%	8,374	0.1%
\$10,001 to \$15,000	329,000	8.5%	39,438	0.6%
\$15,001 to \$20,000	296,000	7.7%	88,772	1.3%
\$20,001 to \$25,000	268,000	7.0%	136,413	1.9%
\$25,001 to \$30,000	234,000	6.1%	169,462	2.4%
\$30,001 to \$50,000	618,000	16.1%	762,204	10.7%
\$50,001 to \$100,000	647,000	16.9%	1,710,975	24.1%
\$100,001 to \$500,000	312,000	8.1%	2,289,828	32.2%
\$500,001 to \$1,000,000	11,000	0.3%	374,754	5.3%
\$1,000,001 and higher	7,000	0.2%	1,061,631	15.0%
<b>Totals</b>	<b>3,838,000</b>	<b>100.0%</b>	<b>\$ 7,100,824</b>	<b>100.0%</b>

(1) Most recent available data.

(2) Category also includes payments from out-of-state residents and partial-year payers

Source: Georgia Department of Revenue

# State of Georgia

## Schedule 8

### Ratios of Outstanding Debt by Type

### For the Last Ten Fiscal Years

(dollars in thousands, except per capita amounts)

Fiscal Year	Governmental Activities <sup>(1)</sup>			
	General Obligation	Revenue <sup>(2) (4)</sup>	Capital	Notes and <sup>(4)</sup>
	Bonds	Bonds	Leases	Loans
2016	\$ 9,493,441	\$ 983,947	\$ 184,689	\$ 87,228
2015	9,367,381	1,200,365	221,690	21,662
2014	9,437,844	1,367,068	252,830	4,024
2013	9,072,784	1,503,925	255,763	4,000
2012	8,889,868	1,678,744	262,111	14,600
2011	8,774,586	1,848,570	223,429	19,600
2010	8,837,728	2,009,489	242,430	27,614
2009	8,725,198	2,169,235	3,266	27,698
2008	7,927,420	1,617,932	5,184	32,820
2007	7,688,919	1,037,993	8,162	568

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority (SRTA), a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances were included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.

(2) The Governmental Activities Revenue Bonds include \$289.1 million of bonds secured by a joint resolution between the Department of Transportation (DOT) (General Fund) and the SRTA (Nonmajor Governmental Fund) whereby DOT has pledged to provide sufficient motor fuel tax funds to pay the principal and interest of the revenue bonds. According to the State Constitution, motor fuel tax funds are imposed and appropriated for all activities incident to maintaining an adequate system of roads and bridges in the State. In fiscal year 2016, the State collected \$1.7 billion of motor fuel tax funds. The principal and interest on the revenue bonds for fiscal year 2016 was \$54.0 million. The debt service requirements to maturity on these bonds is included in the Notes to the Financial Statements.

(3) See Schedule 11 (Population/Demographics) for personal income and population data.

(4) SRTA Design Build Finance Loan was previously reported as Revenue Bonds under Governmental Activities. Beginning in fiscal year 2016, they were reported as a Notes Payable under Governmental Activities.

Source: Financial Information included in Current and Prior Years' *Comprehensive Annual Financial Reports*



<b>Business-type Activities <sup>(1)</sup></b>			<b>Less:</b>			
<b>Revenue</b>	<b>Capital</b>	<b>Notes and</b>	<b>Net Position</b>	<b>Total</b>	<b>Percentage of</b>	<b>Outstanding</b>
<b>Bonds</b>	<b>Leases</b>	<b>Loans</b>	<b>Restricted to</b>	<b>Primary</b>	<b>Personal</b>	<b>Debt</b>
			<b>Guaranteed</b>	<b>Government</b>	<b>Income <sup>(3)</sup></b>	<b>Per Capita <sup>(3)</sup></b>
			<b>Revenue Debt</b>			
\$ 756,539	\$ 2,633,261	\$ 11,677	\$ (54,003)	\$ 14,096,779	3.4%	\$ 1,380
1,384,058	1,948,804	6,027	(54,003)	14,095,984	3.6%	1,396
1,781,514	1,829,517	3,923	(54,003)	14,622,717	3.9%	1,464
1,211,200	2,370,028	397,692	(54,003)	14,761,389	4.0%	1,488
319,247	3,436,099	751,299	(54,003)	15,297,965	4.3%	1,559
328,597	3,170,521	734,189	(54,003)	15,045,489	4.5%	1,549
213,814	2,648,321	424,424	(62,886)	14,340,934	4.3%	1,459
121,736	2,240,418	8,733	(62,887)	13,233,397	3.9%	1,365
31,628	1,795,234	9,170	(63,084)	11,356,304	3.4%	1,191
38,540	1,201,524	9,477	(63,084)	9,922,099	3.1%	1,063



## Schedule 9

### Ratios of General Bonded Debt Outstanding For the Last Ten Fiscal Years

(dollars in thousands, except per capita amounts)

Fiscal Year	Net General Bonded Debt <sup>(1)</sup>	Percentage of Personal Income <sup>(2)</sup>	Outstanding Debt Per Capita <sup>(2)</sup>
2016	\$ 9,750,165	2.35%	\$ 954.51
2015	9,668,940	2.46%	957.59
2014	9,768,380	2.60%	977.66
2013	9,427,553	2.55%	950.58
2012	9,278,490	2.58%	945.60
2011	9,197,267	2.75%	946.86
2010	9,280,726	2.80%	944.20
2009	9,200,175	2.70%	948.68
2008	8,431,520	2.53%	884.39
2007	8,219,971	2.61%	881.02

(1) Beginning in fiscal year 2007, the funds of the State Road and Tollway Authority (SRTA), a component unit, were blended with those of the primary government (previously discretely presented). As such, its activity and balances were included in both Governmental Activities and in Business-type Activities. In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities.

(2) See Schedule 11 (Population/Demographics) for personal income and population data.

Source: Financial Information included in Current and Prior Years' *Comprehensive Annual Financial Reports*



# State of Georgia

## Schedule 10 Computation of Legal Debt Margin For the Last Ten Fiscal Years (in whole dollars)

	2016	2015	2014	2013	2012
<b>Revenue Base:</b>					
Treasury Receipts for the Preceding Fiscal Year <sup>(1)</sup>	\$ 21,557,498,541	\$ 20,256,765,494	\$ 19,539,691,058	\$ 18,316,797,048	\$ 17,546,376,094
<b>Debt Limit Amount:</b>					
Highest Aggregate Annual Commitments (Principal and Interest) Permitted Under Constitutional Limitation (10% of above)	\$ 2,155,749,854	\$ 2,025,676,549	\$ 1,953,969,106	\$ 1,831,679,705	\$ 1,754,637,609
<b>Debt Applicable to the Limit:</b>					
Highest Total Annual Commitments in Current or any Subsequent Fiscal Year <sup>(2)</sup>	1,311,486,764	1,305,012,971	1,320,929,740	1,289,411,544	1,310,228,303
<b>Legal Debt Margin</b>	\$ 844,263,090	\$ 720,663,578	\$ 633,039,366	\$ 542,268,161	\$ 444,409,306
<b>Total Debt Applicable to the Limit as a Percentage of Debt Limit Amount</b>	60.8%	64.4%	67.6%	70.4%	74.7%

(1) Includes Indigent Care Trust Fund Receipts, Brain and Spinal Injury Trust Fund Receipts, Lottery Proceeds and Tobacco Settlement Funds.

(2) Includes issued and outstanding debt as of the end of each fiscal year and appropriated debt service for any authorized but unissued general obligation (and guaranteed revenue) bonds.

Source: Prior Year's *Comprehensive Annual Financial Reports*, other annual state reports, Georgia State Financing and Investment Commission, Constitution of the State of Georgia.

Note: The Constitution of the State of Georgia limits the combined total of highest annual debt service requirements for general obligation and guaranteed revenue debt to 10% of the prior year's revenue collections.





<b>Fiscal Year</b>				
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>\$ 16,251,244,423</u>	<u>\$ 17,841,696,614</u>	<u>\$ 19,789,803,318</u>	<u>\$ 19,859,978,972</u>	<u>\$ 18,343,188,273</u>
\$ 1,625,124,442	\$ 1,784,169,661	\$ 1,978,980,332	\$ 1,985,997,897	\$ 1,834,318,827
<u>1,328,679,199</u>	<u>1,369,585,101</u>	<u>1,307,083,843</u>	<u>1,245,513,776</u>	<u>1,144,843,403</u>
<u>\$ 296,445,243</u>	<u>\$ 414,584,560</u>	<u>\$ 671,896,489</u>	<u>\$ 740,484,121</u>	<u>\$ 689,475,424</u>
81.8%	76.8%	66.0%	62.7%	62.4%



## Schedule 11 Population/Demographics For the Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (in millions)</u>	<u>Per Capita Personal Income</u>	<u>Public School Enrollment</u>	<u>Unemployment Rate</u>
2015	10,214,860	\$ 414,274	\$ 40,551	\$ 1,749,852	5.9%
2014	10,097,132	393,594	38,980	1,736,416	7.1%
2013	9,991,562	375,758	37,596	1,716,905	8.2%
2012	9,917,639	369,520	37,254	1,693,374	9.2%
2011	9,812,280	359,047	36,588	1,673,740	10.2%
2010	9,713,454	335,021	34,487	1,665,557	10.5%
2009	9,829,211	330,916	34,396	1,656,689	9.9%
2008	9,697,838	341,180	35,895	1,642,033	6.2%
2007	9,533,761	332,915	35,606	1,634,255	4.5%
2006	9,330,086	315,144	34,420	1,618,869	4.7%

Sources: Population - U. S. Department of Commerce, Bureau of the Census (midyear population estimates)  
 Personal Income - U. S. Department of Commerce, Bureau of Economic Analysis  
 Public School Enrollment - Georgia Department of Education (March of each school year)  
 Unemployment Rate - U. S. Department of Labor (annual average)



## Schedule 12

### Principal Private Sector Employers

#### Fiscal Year 2016 and Ten Years Previous (2007)

##### 2016 Employers

Children's Healthcare of Atlanta  
Delta Air Lines, Inc.  
Emory Healthcare, Inc.  
Emory University  
Gulfstream Aerospace Corporation  
Lowe's Home Centers, Inc.  
Mohawk Carpet Distribution LP  
Northside Hospital  
Publix Super Markets, Inc.  
Shaw Industries Group, Inc.  
The Home Depot, Inc.  
The Kroger Company  
United Parcel Service, Inc.  
Waffle House  
Wal-Mart Stores, Inc.  
Wellstar Health System, Inc.

##### 2007 Employers

BellSouth Corporation  
Delta Air Lines, Inc.  
Mohawk Industries  
Publix Supermarkets, Inc.  
Shaw Industries Group, Inc.  
The Home Depot, Inc.  
The Kroger Company  
The Southern Company/Georgia Power Company  
United Parcel Service, Inc.  
Wal-Mart Stores, Inc.

To protect employer confidentiality, O.C.G.A. Section 34-8-121(b)(3) prohibits the release of employee numbers by employer.

Sources: 2016 - Georgia Department of Labor (1st quarter 2016)  
2007 - *Comprehensive Annual Financial Report* - Fiscal Year Ended June 30, 2007

# State of Georgia

## Schedule 13

### State Government Employment by Function For the Last Ten Fiscal Years <sup>(1)</sup>

	2016	2015	2014	2013	2012
<b>Governmental Activities</b>					
General Government	8,722	8,402	7,848	8,194	7,729
Education	2,184	1,836	1,419	1,422	1,371
Health and Welfare	21,073	22,102	18,868	20,463	18,007
Transportation	5,023	5,102	4,379	4,385	4,577
Public Safety	25,728	25,513	23,430	21,418	20,449
Economic Development and Assistance	2,487	2,760	2,757	2,459	4,802
Culture and Recreation	2,982	2,838	2,284	2,403	3,169
Conservation	820	837	638	647	664
	<u>69,019</u>	<u>69,390</u>	<u>61,623</u>	<u>61,391</u>	<u>60,768</u>
<b>Business-Type Activities</b> <sup>(2) (5)</sup>					
State Road and Tollway Authority <sup>(3)</sup>	-	-	70	79	71
Higher Education Fund <sup>(4)</sup>	80,004	76,972	76,594	74,503	82,109
	<u>80,004</u>	<u>76,972</u>	<u>76,664</u>	<u>74,582</u>	<u>82,180</u>
<b>Total Employment</b>	<u>149,023</u>	<u>146,362</u>	<u>138,287</u>	<u>135,973</u>	<u>142,948</u>

- (1) Includes employees that were active at any time during the Fiscal Year. An individual employee may, therefore, be included in multiple functions if the employee transferred among functions during the fiscal year. This does not represent the number of active employees at the end of the year.
- (2) Employees of certain Business-Type Activities organizations are included in Governmental Activities as follows:  
 Employees of the State Employees' Health Benefit Plan are included as employees of the Department of Community Health in Health and Welfare.  
 Employees of the Unemployment Compensation Fund are included as employees of the Department of Labor in Economic Development and Assistance.
- (3) Beginning in fiscal year 2007, the State Road and Tollway Authority (SRTA), formerly a discretely presented component unit, was blended with the primary government with activities in both governmental and business-type activities. In fiscal year 2015, the activities of SRTA were re-examined and all activity is reported as governmental activities.
- (4) Beginning in fiscal year 2013, Georgia Military College, formerly a blended component unit included in the Higher Education Fund, is reported as a discretely presented component unit and is no longer included in this schedule.
- (5) No employees for the Nonmajor Enterprise Funds (Business-Type Activities) Georgia Higher Education Finance Authority and Higher Education Foundations are included as these organizations either have no employees, their data is not available or their employees are already reported as employees of another organization in either the Governmental Activities or Business-Type Activities.

Source: Open.Georgia.gov



**Fiscal Year**

2011	2010	2009	2008	2007
9,658	9,103	8,425	9,151	9,240
1,213	1,399	1,156	1,186	1,160
18,616	27,653	22,629	23,430	22,732
5,273	5,363	5,340	5,745	5,849
21,997	25,014	21,829	23,850	23,115
5,144	5,375	4,636	4,650	4,584
2,548	3,184	2,785	3,160	3,023
686	845	746	776	776
<u>65,135</u>	<u>77,936</u>	<u>67,546</u>	<u>71,948</u>	<u>70,479</u>
52	64	53	43	51
<u>79,174</u>	<u>96,739</u>	<u>85,193</u>	<u>86,579</u>	<u>84,795</u>
<u>79,226</u>	<u>96,803</u>	<u>85,246</u>	<u>86,622</u>	<u>84,846</u>
<u><u>144,361</u></u>	<u><u>174,739</u></u>	<u><u>152,792</u></u>	<u><u>158,570</u></u>	<u><u>155,325</u></u>

# State of Georgia

## Schedule 14

### Operating Indicators and Capital Assets by Function For the Last Ten Years <sup>(1)</sup>

	2016	2015	2014	2013
<b>General Government</b>				
Department of Revenue				
Number of Personal Income Tax Filers	NCA	NCA	4,471,307	4,319,711
<b>Education</b>				
Department of Education				
Public School Enrollment (March FTE Count)				
Pre Kindergarten through Grade 5	856,413	854,352	846,364	836,627
Grades 6 through 8	392,095	392,433	392,381	388,542
Grades 9 through 12	500,808	489,631	478,160	468,205
Board of Regents of the University System of Georgia				
Number of Separate Institutions	29	30	31	31
Number of Active Educators	14,606	14,478	14,309	13,903
Number of Students	318,164	312,936	309,469	314,365
<b>Health and Welfare</b>				
Department of Human Services				
Food Stamp Recipients	1,745,876	1,825,606	1,823,017	1,957,886
Temporary Assistance for Needy Families Recipients	26,635	27,219	31,598	35,185
<b>Transportation</b>				
Department of Transportation				
Miles of State Highway	17,902	17,907	17,912	17,967
<b>Public Safety</b>				
Department of Corrections				
Number of Inmates	53,852	51,002	51,216	53,168
Number of Probationers	168,088	165,926	165,560	164,051
<b>Economic Development and Assistance</b>				
Department of Economic Development				
Economic Impact of Tourism (in millions):				
Domestic Traveler Spending - Direct	NCA	\$ 24,526	\$ 23,707	\$ 22,354
Domestic Travel-generated State Tax Revenues	NCA	\$ 1,170	\$ 1,059	\$ 989
<b>Culture and Recreation:</b>				
Department of Natural Resources				
Number of State Parks	49	49	49	49
Number of Historic Sites	15	15	15	15
Acreage of State Parks and Historic Sites (in acres)	85,430	85,647	92,880	92,880
Number of Daily Park Passes Sold	802,267	790,020	659,391	650,651
Number of Annual Park Passes Sold	9,444	7,852	6,187	5,595
Number of Hunting and Fishing Licenses Sold	1,346,360	1,346,360	1,025,782	955,340
Number of Registered Boats	143,587	144,979	147,854	125,280
<b>Conservation</b>				
Forestry Commission				
Economic Impact of Forestry Industry				
Output (in millions)	NCA	NCA	\$ 16,800	\$ 16,900
Employment	NCA	NCA	48,740	50,110
Compensation (in millions)	NCA	NCA	\$ 3,030	\$ 3,100

(1) Data is presented by either fiscal year or calendar year based on availability of information.

Source: NCA - Not Currently Available

Information obtained from the individual organizations listed.



**Fiscal Year**

2012	2011	2010	2009	2008	2007
4,226,144	4,265,347	4,266,318	4,166,498	4,229,929	4,273,200
829,900	828,005	825,044	818,709	812,311	801,307
383,553	376,315	371,759	367,453	368,734	371,020
460,287	461,237	459,886	455,871	453,210	446,539
35	35	35	35	35	35
13,855	13,311	12,828	11,654	11,422	11,082
318,027	311,442	301,892	282,978	270,022	259,945
1,875,000	1,737,545	1,389,935	1,202,181	986,245	947,146
35,887	36,534	90,581	38,824	40,609	47,395
17,985	17,985	18,093	18,095	18,096	18,066
54,336	55,162	52,291	54,049	54,016	53,226
163,265	156,630	154,989	154,218	148,629	142,663
\$ 21,489	\$ 20,537	\$ 18,906	\$ 17,570	\$ 19,026	\$ 18,680
\$ 949	\$ 919	\$ 855	\$ 816	\$ 851	\$ 845
48	48	48	48	48	48
18	18	15	15	15	15
86,000+	86,000+	84,000+	85,000+	82,000+	82,000+
659,860	679,838	840,000	440,845	NCA	NCA
8,042	10,792	9,470	19,669	NCA	NCA
1,004,771	997,651	1,038,015	1,299,525	1,195,801	1,238,399
124,610	132,832	134,815	128,003	116,858	122,927
\$ 16,313	\$ 15,100	\$ 14,500	\$ 16,900	\$ 18,300	\$ 18,500
49,516	46,378	43,425	48,519	57,812	64,192
\$ 3,078	\$ 2,900	\$ 2,600	\$ 2,800	\$ 3,100	\$ 3,400

