



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



LIBERTY PLAZA ON CAPITOL HILL
Atlanta, Georgia



The State Capitol Building Hosts over 100 outdoor events each year resulting in many street closures that adversely affect local traffic. "Liberty Plaza" now becomes the major focal point for large groups that hold public rallies and assemblies both during and between legislative sessions. The public plaza is large enough to accommodate over 3,000 visitors and is located across from the Georgia State Capitol. The Liberty Bell and the Statue of Liberty replicas previously located on the Capitol grounds were relocated to prominent locations in the new Plaza. <https://qba.georgia.gov/liberty-plaza>



State of Georgia

**Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2017**

Prepared by:
State Accounting Office





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For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION



SAVANNAH INTERNATIONAL TRADE & CONVENTION CENTER

Savannah, Georgia

Submitted by the Georgia International and Maritime Trade Center Authority

Managed by the Georgia World Congress Center



Nathan Deal

Governor

Thomas Alan Skelton

State Accounting Officer

December 28, 2017

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, 2017, 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 10.3 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 2017 can be found in the separately issued Budgetary Compliance Report (BCR) dated November 21, 2017.

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 2017 were \$23.3 billion, which was 1.6% greater than the final amended revenue estimate of \$22.9 billion and 4.7% greater than prior year 2016. Total Net Taxes were 4.5% greater in fiscal year 2017 than fiscal year 2016 and indicated continued economic growth in Georgia. As a result, the balance of the RSR as of June 30, 2017 was \$2.5 billion.

By statute, up to 1% of fiscal year 2017 net revenue collections (\$232.7 million) may be appropriated from the RSR in fiscal year 2018 for K-12 needs. As of the date of this report, the \$2.5 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 2017) 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, 2016. This was the fifth consecutive year that the State has achieved this prestigious award. 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



State of Georgia
Principal State Officials
June 30, 2017



Executive:

- Nathan Deal..... *Governor*
- Brian P. Kemp..... *Secretary of State*
- Chris Carr..... *Attorney General*
- Mark Butler..... *Commissioner of Labor*
- Richard Woods *State Superintendent of Schools*
- Ralph T. Hudgens..... *Commissioner of Insurance*
- Gary W. Black..... *Commissioner of Agriculture*
- Chuck Eaton (Chairman)..... *Public Service Commissioner*
- Tim Echols..... *Public Service Commissioner*
- H. Doug Everett..... *Public Service Commissioner*
- Lauren “Bubba” McDonald, Jr..... *Public Service Commissioner*
- Stan Wise..... *Public Service Commissioner*

Legislative:

- Casey Cagle..... *Lieutenant Governor/President of the Senate*
- David Ralston..... *Speaker of the House of Representatives*

Judicial:

- Hugh P. Thompson..... *Chief Justice of the Supreme Court*





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, 2016

Executive Director/CEO



ACKNOWLEDGEMENTS

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2017 was prepared by:

STATE ACCOUNTING OFFICE

Kris Martins, Deputy State Accounting Officer, Financial Reporting

STATEWIDE ACCOUNTING AND REPORTING

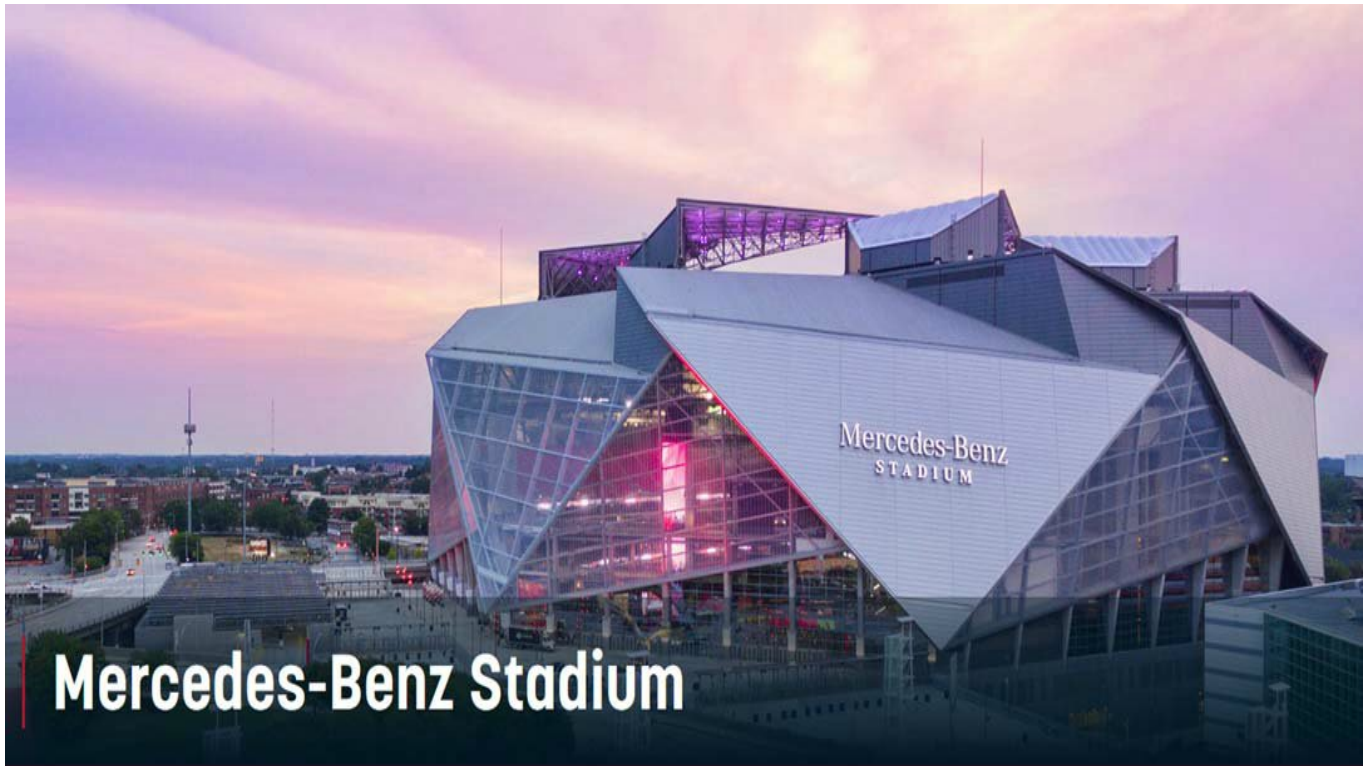
Tanya Astin	Metsheh Ketsela
Chelsea Bennett	Rachael Krizanek
Kevin Bryant	Dan Lawson
Renita Coleman	Phyllis Raines
Bobbie R. Davis	Troy Senter
Zeina Diallo	KaTerra Smith
Shakierra Ellis	Wylene Swinney
Tessica Harvey	Jennifer Williams
Pamela Hintze	Keri Williams
Ahmed Hussein	

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



Mercedes-Benz Stadium

THE FINEST SPORTS & ENTERTAINMENT FACILITY IN THE WORLD

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, 2017, 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:

AU Health System, Inc.
AU Medical Associates & Subsidiaries
Augusta University Foundation, Inc.
Augusta University Research Institute, Inc.
Employees' Retirement System of Georgia
Georgia Advanced Technology Ventures, Inc.
Georgia College & State University Foundation, Inc.
Georgia Environmental Finance Authority

Georgia Tech Facilities, Inc.
Georgia Tech Foundation, Inc.
Georgia Tech Research Corporation
Kennesaw State University Athletic Association, Inc.
Kennesaw State University Foundation, Inc.
Medical College of Georgia Foundation
Middle Georgia State University Real Estate Foundation, Inc.
Georgia State Financing and Investment Commission

Georgia Gwinnett College Foundation, Inc.
 Georgia Health Sciences Foundation, Inc.
 Georgia Housing and Finance Authority
 Georgia Lottery Corporation
 Georgia Ports Authority
 Georgia Southern Housing Foundation, Inc.
 Georgia State University Foundation, Inc.
 Georgia State University Research Foundation,
 Inc.
 Georgia Tech Athletic Association

Teachers Retirement System of Georgia
 University of Georgia Athletic Association, Inc.
 University of Georgia Foundation
 University of Georgia Research Foundation, Inc.
 University of North Georgia Real Estate Foundation, Inc.
 UWG Real Estate Foundation, Inc.
 University System of Georgia Foundation, Inc.
 VSU Auxiliary Services 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, and the aggregate remaining fund information as reported in the following table:

Opinion Unit	Percent of Total Assets/Deferred Outflows of Resources	Percent of Total Revenues/ Additions
Governmental Activities	4%	0%
Business-type Activities	3%	0%
Aggregate Discretely Presented Component Units	86%	87%
Governmental Fund – General Obligation Bond Projects Fund	100%	100%
Aggregate Remaining Fund Information	88%	48%

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*:

Augusta University Foundation, Inc.
 Georgia Advanced Technology Ventures, Inc.
 Georgia College & State University Foundation, Inc.
 Georgia Gwinnett College Foundation, Inc.
 Georgia Health Sciences Foundation, Inc.
 Georgia Lottery Corporation
 Georgia Southern Housing Foundation, Inc.
 Georgia State University Foundation, Inc.
 Georgia Tech Foundation, Inc.

Kennesaw State University Athletic Association, Inc.
 Kennesaw State University Foundation, Inc.
 Medical College of Georgia Foundation
 Middle Georgia State University Real Estate Foundation, Inc.
 University of Georgia Athletic Association, Inc.
 University of Georgia Foundation
 University of North Georgia Real Estate Foundation, Inc.

Georgia State University Research Foundation Inc.
and Affiliates
Georgia Tech Athletic Association
Georgia Tech Facilities, Inc.

UWG Real Estate Foundation, Inc.
University System of Georgia Foundation, Inc. and
Affiliates
VSU Auxiliary Services Real Estate Foundation

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, 2017, 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 Principle

As described in Note 2 to the financial statements, in 2017, the State adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*; GASB Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 80, *Blending Requirements for Certain Component Units*; and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to these matters.

As discussed in Note 2 to the financial statements, the Nonmajor Governmental funds, business-type activities, the Nonmajor Enterprise funds, the Internal Service funds, the Pension and Other Employee Benefit Trust 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 Prior Year Errors

As discussed in Note 2 to the financial statements, the fiscal year 2016 beginning balances of the Governmental Activities, Business Type Activities, Higher Education fund, Unemployment Compensation 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

As discussed in Note 2 to the financial statements, the Nonmajor Governmental funds, the Business Type Activities, the Higher Education fund, the Nonmajor Enterprise funds, Internal Service funds, and component unit financial statements have been restated due to changes in reporting entities and 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 25, budgetary comparison information on pages 200 through 205, claims development information for the public entity risk pool on page 206, information on defined benefit pension plans on pages 208 through 220 and information on other postemployment benefits on page 222 through 229, 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 28, 2017, 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,



Greg S. Griffin
State Auditor

December 28, 2017



MANAGEMENT'S
DISCUSSION AND ANALYSIS





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, 2017. 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 \$24.3 billion (reported as "net position"). Contributing to this amount, a deficit of \$6.9 billion was reported as "unrestricted net position."
- Changes in Net Position. The State's total net position increased by \$2.8 billion in fiscal year 2017 compared to the balances reported in the prior year. More specifically, net position of governmental activities increased by \$2.4 billion while net position of business-type activities increased by \$417.9 million.
- Excess of Revenues over Expenses – Governmental Activities. During the fiscal year, the State's total revenues for governmental activities, which totaled \$42.5 billion were \$5.4 billion more than total expenses (excluding transfers). Expenses totaled \$37.1 billion. General revenues, which are primarily made up of tax collections, totaled \$23.8 billion, and program revenues, which primarily come from operating grants and contributions, totaled \$18.6 billion.

Fund Level

- Governmental Funds – Fund Balances. The governmental funds reported combined ending fund balances of \$8.8 billion. This amount represents an increase of \$1.2 billion, or 15.3% (as restated), when compared with the prior year. Of this total fund balance, \$97.9 million, or 1.1%, represents nonspendable fund balance; \$6.0 billion, or 67.9%, represents restricted fund balance; \$10.9 million, or 0.1%, represents committed fund balance; \$492.9 million, or 5.6%, represents assigned fund balance; and \$2.2 billion, or 25.2%, represents unassigned fund balance.
- General Fund – Fund Balances. The General Fund ended the fiscal year with a total fund balance of \$7.4 billion, of which \$2.2 billion was classified as unassigned fund balance. Total revenues increased by \$2.0 billion, or 5.0%, over the prior year.
- Enterprise Funds – Net position. The Enterprise Funds ended the fiscal year with a total net position of \$6.1 billion. More specifically, the areas with significant net positions were the Higher Education Fund of \$3.6 billion, the Unemployment Compensation Fund of \$1.8 billion, and the State Health Benefit Plan of \$469.3 million.

Long-term Debt

The long-term bond debt of the primary government decreased \$367.6 million, or 3.3%, 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 \$358.3 million, or 3.8%, for the primary government, while the amount owed for revenue bonds decreased \$725.9 million, or 41.7%, for the primary government. The change in total long-term debt, resulting primarily from revenue bonds, also includes \$514.4 million in restatements. The State issued new bonded debt, including refunding bonds, during the year in the amount of \$2.3 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 and the Technical College System of Georgia.
- 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.



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.



Management's Discussion and Analysis

(Unaudited)

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) information on the State's public entity risk pool, (3) information on the State's defined benefit pension plans and (4) information on the State's other postemployment benefit plans (OPEB). Other supplementary information includes combined financial statements for the State's nonmajor governmental funds, nonmajor enterprise 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 \$24.3 billion, which is comprised of \$23.5 billion in net investment in capital assets, \$7.7 billion in restricted net position, and an unrestricted portion of net position deficit of \$6.9 billion.

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)

Table 1 - Net Position						
As of June 30, 2017 and 2016 (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets						
Non-Capital Assets	\$ 16,083,546	\$ 14,535,650	\$ 5,885,362	\$ 4,864,408	\$ 21,968,908	\$ 19,400,058
Net Capital Assets	22,100,118	20,783,996	11,116,972	10,817,410	33,217,090	31,601,406
Total Assets	38,183,664	35,319,646	17,002,334	15,681,818	55,185,998	51,001,464
Deferred Outflows of Resources	1,604,253	909,298	1,041,915	422,951	2,646,168	1,332,249
Liabilities						
Noncurrent Liabilities	15,970,995	14,959,916	10,152,483	8,777,749	26,123,478	23,737,665
Current Liabilities	5,245,385	4,827,101	1,205,616	990,509	6,451,001	5,817,610
Total Liabilities	21,216,380	19,787,017	11,358,099	9,768,258	32,574,479	29,555,275
Deferred Inflows of Resources	193,622	475,037	758,281	826,514	951,903	1,301,551
Net Position						
Net Investment in Capital Assets	18,575,368	17,213,380	7,773,009	7,529,660	23,502,948	21,892,080
Restricted	5,013,504	4,499,014	2,639,561	1,837,521	7,653,065	6,336,535
Unrestricted	(5,210,957)	(5,745,504)	(4,484,701)	(3,857,184)	(6,850,229)	(6,751,728)
Total Net Position	\$ 18,377,915	\$ 15,966,890	\$ 5,927,869	\$ 5,509,997	\$ 24,305,784	\$ 21,476,887
Percent Change in Total:						
Net Position from Prior Year	15.1%		7.6%		13.2%	
Percent Change after Restatements	16.3%		4.8%		13.3%	

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 \$2.4 billion, or 15.1%, but increased by \$2.6 billion, or 16.3%, when adjusted for restatements. The deficit unrestricted balance of \$5.2 billion is primarily the result of the following two types of transactions.

- The State continues to issues general obligation debt for the purposes of capital acquisition and construction on behalf of county and independent school systems. Since the issuance 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.
- GASB Statement No. 68 (GASB 68), as related to pensions, required the State to recognize its proportional share of the net pension liability of the pension plans applicable to said standard. As of June 30, 2017, this liability resulted in a \$3.4 billion impact to unrestricted net position.

Net position for business-type activities as originally reported increased by \$417.9 million, or 7.6%, but increased by \$270.9 million, or 4.8%, when adjusted for restatements. The deficit unrestricted balance of \$4.5 billion is primarily due to the recognition of net pension and OPEB liabilities.

- The University System of Georgia administers a single employer OPEB plan that is reported consistent with GASB 45. The accounting for this plan resulted in a \$2.6 billion negative impact to unrestricted net position.
- GASB 68, as related to pensions, required the State to recognize its proportional share of the net pension liability of the pension plans applicable to said standard. As of June 30, 2017, this liability resulted in a \$2.8 billion impact to unrestricted net position.



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 2017. Consistent with the prior year, the State received a majority of its \$51.8 billion in revenues from taxes and operating grants and contributions. Expenses of the primary government during fiscal year 2017 were \$49.0 billion with the increase over the prior year driven largely by education, public safety, and healthcare costs. As a result of the excess revenues over expenses, the total net position of the primary government increased by \$2.8 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, 2017 and 2016 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change 2016 to 2017
	2017	2016	2017	2016	2017	2016	
Revenues:							
Program Revenues:							
Sales and Charges for Services	\$ 1,414,743	\$ 1,333,461	\$ 6,480,908	\$ 6,427,516	\$ 7,895,651	\$ 7,760,977	1.7 %
Operating Grants/Contributions	15,611,324	15,372,385	2,788,516	2,636,285	18,399,840	18,008,670	2.2 %
Capital Grants/Contributions	1,608,086	1,377,654	79,085	60,543	1,687,171	1,438,197	17.3 %
General Revenues:							
Taxes	21,769,211	21,002,366	—	—	21,769,211	21,002,366	3.7 %
Lottery for Education - Lottery Proceeds	1,101,062	1,097,823	—	—	1,101,062	1,097,823	0.3 %
Nursing Home and Hospital Provider Fees	442,576	434,126	—	—	442,576	434,126	1.9 %
Tobacco Settlement FUNds	140,938	137,035	—	—	140,938	137,035	2.8 %
Unrestricted Investment Income	50,631	33,936	—	—	50,631	33,936	49.2 %
Unclaimed Property	143,683	153,257	—	—	143,683	153,257	(6.2)%
Other	196,046	12,916	—	—	196,046	12,916	1,417.9 %
Total Revenues	42,478,300	40,954,959	9,348,509	9,124,344	51,826,809	50,079,303	3.5 %
Expenses:							
General Government	1,229,891	1,385,643	—	—	1,229,891	1,385,643	(11.2)%
Education	12,655,824	12,024,645	—	—	12,655,824	12,024,645	5.2 %
Health and Welfare	17,238,499	16,795,986	—	—	17,238,499	16,795,986	2.6 %
Transportation	1,964,380	1,917,223	—	—	1,964,380	1,917,223	2.5 %
Public Safety	2,628,645	2,145,769	—	—	2,628,645	2,145,769	22.5 %
Economic Development and Assistance	645,604	509,074	—	—	645,604	509,074	26.8 %
Culture and Recreation	279,375	279,772	—	—	279,375	279,772	(0.1)%
Conservation	60,603	59,409	—	—	60,603	59,409	2.0 %
Interest and Other Charges on Long-Term Debt	394,388	424,595	—	—	394,388	424,595	(7.1)%
Higher Education Fund	—	—	9,063,716	8,576,540	9,063,716	8,576,540	5.7 %
State Health Benefit Plan	—	—	2,296,062	2,153,073	2,296,062	2,153,073	6.6 %
Unemployment Compensation Fund	—	—	328,266	379,714	328,266	379,714	(13.5)%
Nonmajor Enterprise Funds	—	—	194,402	11,587	194,402	11,587	1,577.8 %
Total Expenses	37,097,209	35,542,116	11,882,446	11,120,914	48,979,655	46,663,030	5.0 %
Increase (Decrease) in Net Position Before Contributions and Transfers	5,381,091	5,412,843	(2,533,937)	(1,996,570)	2,847,154	3,416,273	
Contributions to Permanent Endowments	—	—	833	137	833	137	
Transfers	(2,803,960)	(2,639,131)	2,803,960	2,639,131	—	—	
Change in Net Position	2,577,131	2,773,712	270,856	642,698	2,847,987	3,416,410	
Net Position July 1 - Restated	15,800,784	13,193,178	5,657,013	4,867,299	21,457,797	18,060,477	
Net Position June 30	\$ 18,377,915	\$ 15,966,890	\$ 5,927,869	\$ 5,509,997	\$ 24,305,784	\$ 21,476,887	13.2 %

Governmental Activities

The State's total revenues for governmental activities from all sources increased \$1.5 billion, or 3.7%. The primary driver of this change was an increase in tax revenue totaling \$766.8 million which continues to reflect the overall economic growth of the state economy. Additional significant increases in revenue were the result of \$171.9 million in hotel/motel fees from the implementation of the Transportation Funding Act of 2015 (HB170), and additional capital contributions at the Department of Transportation totaling \$313.4 million related to roads improvements.

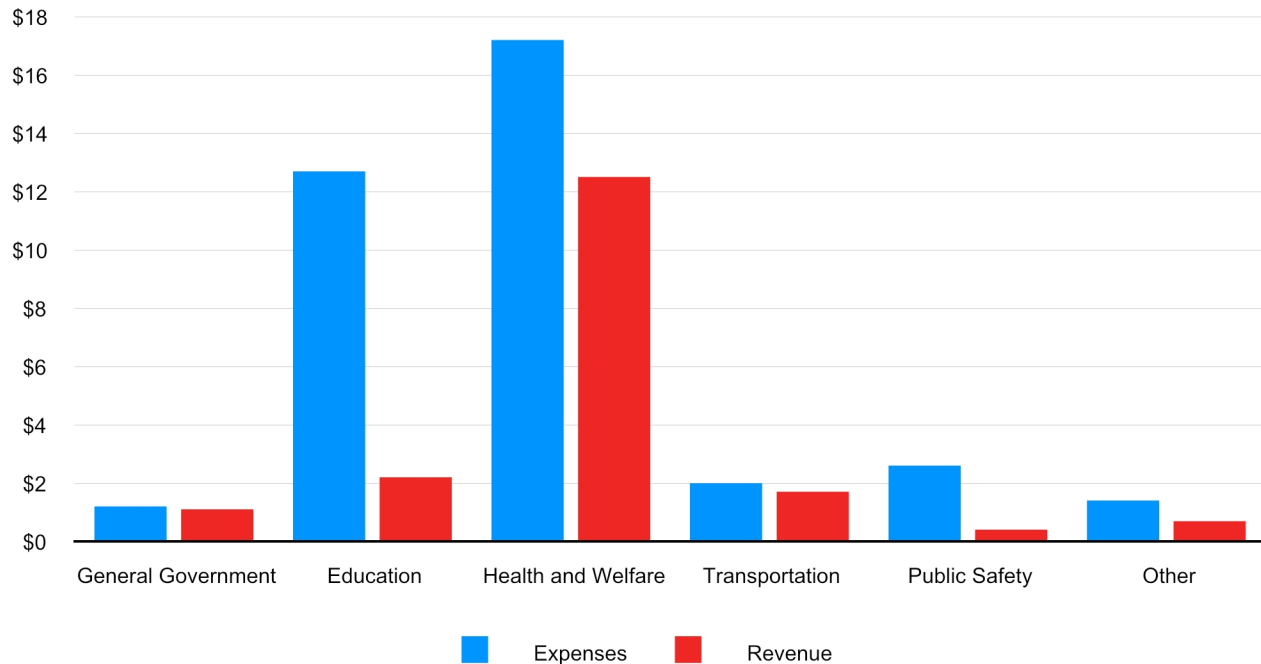


Management's Discussion and Analysis

(Unaudited)

The following table shows to what extent program revenues (charges for services and grants) covered program expenses. For fiscal year 2017, program revenues covered \$18.6 billion, or 50.2% of the \$37.1 billion in total program expenses. For the remaining \$18.5 billion, or 49.8% of the total program expenses, the State relied on taxes and other general revenues.

Table 3 – Net Program Revenue
For the Year Ended June 30, 2017 (in billions)



Business-Type Activities

Net position of business-type activities (as restated) increased by \$270.9 million, or 4.8%, during the fiscal year. Total revenues and expenses for the State's business-type activities increased by \$224.2 million and \$761.5 million, or 2.5% and 6.8% from prior year respectively. These changes were primarily due to an increase in revenue from operating grants and contributions, and a corresponding increase in personal services within the Higher Education Fund.

In fiscal year 2017, business-type activities expenses were funded 78.7% from program revenues compared to 82.0% in the prior year. The amount of funding for these activities coming from program revenues increased from \$9.1 billion the prior year to \$9.3 billion in fiscal year 2017. The remaining expenses were funded by \$2.8 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, 2017, the State's governmental funds reported a combined ending fund balance of \$8.8 billion. Of this amount, \$97.9 million, or 1.1%, is nonspendable, either due to its form or legal constraints; and \$6.0 billion, or 67.9%, is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Fund balance 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, \$10.9 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 \$492.9 million, or 5.6%, of total fund balance has been assigned to specific purposes, as expressed by the intent of State management. The remaining \$2.2 billion, or 25.2% 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 \$7.4 billion as of fiscal year end. The net change in fund balance (as restated) during the fiscal year was \$1.0 billion, or 16.5%. The General Fund ended the year with an unrestricted, unassigned fund balance of \$2.2 billion. The following major revenues, expenditures and other sources/uses contributed to the change in fund balance:

Revenues

Revenues of the General Fund totaled \$42.2 billion in the fiscal year, for an increase of \$2.0 billion, or 5.0%. The primary factor contributing to this change was a \$1.1 billion increase in tax revenues from fiscal year 2016 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 2017 budget.

In addition to the increase in tax revenues, other factors contributing to this overall revenue increase were:

- Receipts related to HB170, which was enacted July 1, 2015 to provide additional revenue for transportation purposes within the State totaled \$171.9 million.
- Intergovernmental revenues increased by \$592.7 million.

Expenditures

Expenditures of the General Fund totaled \$37.2 billion in the fiscal year, an increase of \$2.3 billion over the prior year. The State continues to focus additional budgetary funding in the areas of education, healthcare, transportation. For example, the three largest factors contributing to this change include:

- Transportation expenses increased \$881.5 million consistent with additional focus on infrastructure spending and transportation projects as a result of new revenues from HB 170.
- Education expenses increased \$595.2 million consistent with additional funds allocated in the fiscal year 2017 budget 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.



Management's Discussion and Analysis

(Unaudited)

- Health and welfare expenses increased \$353.0 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 \$102.5 million or 10.5% 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 increased by \$28.7 million from the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Higher Education Fund

The total net position of the Higher Education Fund (as restated) decreased \$73.0 million, or 2.0%. Net Investment in Capital Assets increased by \$191.1 million, or 2.5%. Restricted net position increased \$23.6 million, and the unrestricted net position deficit increased by \$288.8 million.

Operating revenues of the Higher Education Fund increased by \$170.7 million, or 3.3%, primarily due to increase in operating grants and contributions of \$127.3 million and net student tuition and fees revenue of \$59.2 million. In addition, the Higher Education Fund received \$2.5 billion in transfers from the General Fund, for an increase of \$137.6 million, or 5.8%, compared to the prior year.

Fiscal year 2017 operating expenses increased \$504.8 million, or 6.0%, compared to the prior year. The increase is primarily related to personal services. Pension expenses at the Board of Regents increased \$174.4 million as compared to the prior year and OPEB expenses increased by \$55.5 million as compared to the prior year. The remaining increase is related to faculty and staff increases and merit raises.

State Health Benefit Plan

Operating revenues for SHBP increased by \$66.9 million and operating expenses increased by \$143.0 million, which resulted in an operating income loss of \$108.0 million. The increase in operating expenses is primarily due to an increase in benefit payments \$144.7 million.

Unemployment Compensation Fund

Georgia's unemployment rate at June 30, 2017 improved from 5.4% to 4.8% in fiscal year 2017. As a result, unemployment claims were slightly lower and unemployment benefit payments continued to decline annually and decreased \$51.4 million, or 13.5%, 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 \$75.6 million, or 9.6%. Employer taxes and other revenues exceeded benefit payments by \$413.8 million. Employer Unemployment Insurance (UI) tax bills are based on both a base rate and the employer's experience rating. The base rate did not change during state fiscal year 2017; however, the experience ratings for many of Georgia's employers declined due to the continued decrease in the state's unemployment rate. This led to lower UI tax bills and a lower UI receivable.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets increased by a net \$1.6 billion, or 5.1%, during the year. The change consisted of a net increase in infrastructure of \$513.8 million, as well as net increases in software, land, buildings, machinery and equipment, and construction in progress of \$189.4 million, \$170.9 million, \$284.5 million, \$75.9 million, and \$354.7 million respectively.

At June 30, 2017, the State had general fund commitments of \$2.5 billion and capital project fund commitments of \$354.4 million for highway infrastructure and bridge construction. The State Road and Tollway Authority had \$577.9 million of commitments, which is primarily due to \$393.8 million for the I-285/GA 400 Interchange, \$126.2 million for the I-85 Express Lanes Extension Project and \$45.8 million for the Northwest Corridor Express Lane Project. Additionally, the Board of Regents had \$90.5 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.

Table 4 - Capital Assets, Net of Accumulated Depreciation

As of June 30, 2017 and 2016 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Buildings/Building Improvements	\$ 2,073,874	\$ 1,988,560	\$ 9,016,019	\$ 8,816,807	\$ 11,089,893	\$ 10,805,367
Improvements Other Than Buildings	83,018	70,126	293,384	284,023	376,402	354,149
Infrastructure	11,723,433	11,219,892	233,430	223,220	11,956,863	11,443,112
Intangibles - Other Than Software	122,724	119,888	—	—	122,724	119,888
Land	4,049,892	3,885,844	468,702	461,805	4,518,594	4,347,649
Library Collections	—	—	179,466	180,185	179,466	180,185
Machinery and Equipment	258,420	219,891	538,478	501,084	796,898	720,975
Software	244,245	72,019	70,057	52,888	314,302	124,907
Works of Art and Collections	1,391	1,391	56,736	54,644	58,127	56,035
Construction in Progress	3,543,121	3,206,385	260,700	242,754	3,803,821	3,449,139
Total	\$ 22,100,118	\$ 20,783,996	\$ 11,116,972	\$ 10,817,410	\$ 33,217,090	\$ 31,601,406

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, 2017, the State was \$942.3 million below the annual debt service limit established by the Constitution.

(Table on next page)



Management's Discussion and Analysis

(Unaudited)

Table 5 - Net Outstanding Bond Debt						
As of June 30, 2017 and 2016 (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 9,851,713	\$ 9,493,441	\$ —	\$ —	\$ 9,851,713	\$ 9,493,441
GARVEE Revenue Bonds	482,039	643,374	—	—	482,039	643,374
Revenue Bonds	263,438	340,573	269,136	756,539	532,574	1,097,112
	<u>\$10,597,190</u>	<u>\$10,477,388</u>	<u>\$269,136</u>	<u>\$ 756,539</u>	<u>\$10,866,326</u>	<u>\$11,233,927</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 \$10.9 billion in total outstanding bonded debt. Of this amount \$10.1 billion (including premiums and discounts), or 93.1%, is secured by the full faith and credit of the government for general obligation bonds and guaranteed revenue bonds; \$269.1 million, or 2.5%, is secured primarily by lease arrangements with the Board of Regents or applicable security deed and related assignment of contract documents; and \$482.0 million, or 4.4%, 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 \$358.3 million, or 3.8%, and decreased \$725.9 million, or 41.7%, respectively. During the fiscal year, the State issued \$920.0 million of general obligation bonds, excluding premiums, discounts, and refunding issues. Of the general obligation bonds issued, \$251.5 million was issued for K-12 school facilities, \$410.5 million was issued for higher education facilities, \$14.2 million was issued for transportation projects, \$15.0 million for water and sewer loans to local governments, and \$228.8 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 2017 Budget Highlights

The fiscal year 2017 budget focuses on meeting growth needs in education, including continuing to restore funding for local school systems, addressing needs in human services programming, and investing in the long term infrastructure needs for the state. The budget is built on 3.8% net revenue growth over the Amended fiscal year 2016 budget, including 3.9% expected tax growth.

Transportation Infrastructure

- \$825.7 million for transportation projects as a result of new revenues from HB 170.
- \$100 million in GO bonds to repair, renovate, or replace bridges statewide.



Management's Discussion and Analysis

(Unaudited)

Education

- \$440.7 million in additional funds for the Quality Basic Education program 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 salaries by up to 3%.
- \$43.5 million for resident instruction for the University System.

Human Services

- \$109.1 million for Medicaid and PeachCare for Kids.
- \$108.7 million to meet increased demand in child welfare programs and to replace federal funds.

Other

- \$170.2 million to continue to address state employee salary needs through merit increases.
- \$42.9 million to further address salary needs in the highest turnover job classifications.

Amended Fiscal Year 2017 Budget Highlights

Amended fiscal year 2017 (AFY 2017) appropriations bill was signed by the Governor on February 15 as passed by the General Assembly with no vetoes. The AFY 2017 budget was built on a 3.0% increase in net revenue collections over fiscal year 2016 actuals, including a 3.2% increase in tax revenues.

Limited changes in Amended bill to meeting growth needs in education, appropriating additional new revenues for transportation, and one-time strategic investments:

- \$109.0 million for a mid-term adjustment for Quality Basic Education growth.
- \$108.7 million for transportation projects as a result of additional HB 170 revenues.
- \$52.6 million to replace and update vehicles and equipment at state agencies.
- \$50.0 million for a new Cyber Security Range in Augusta as a joint state, federal, and private venture to create a secure environment for cyber security programs.
- \$36.5 million for the OneGeorgia Authority and Regional Economic Business Assistance (REBA) program for grants for economic development projects.
- \$27.3 million for a 20% pay increase for law enforcement officers effective January 1 to reduce turnover and improve recruitment.
- \$28.6 million to meet increased demand in child welfare services programs.
- \$16.8 million for the Move on When Ready dual enrollment program.

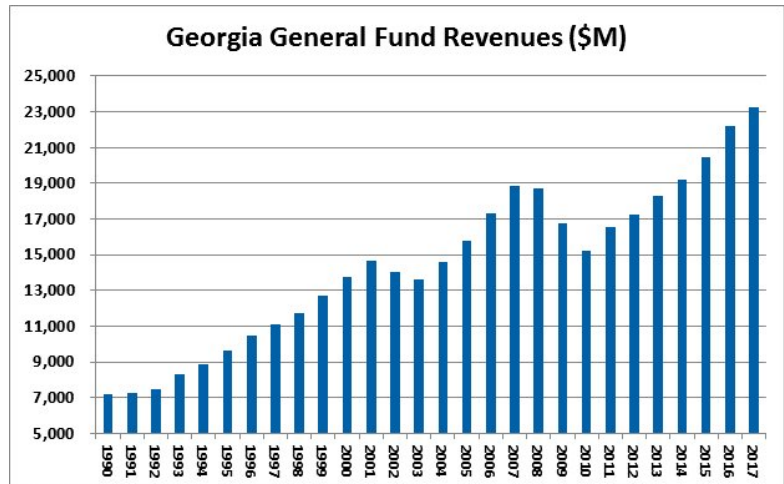


Fiscal Performance

Georgia revenue growth exceeded planned growth in 2017

Total state funds revenues increased by 4.7% to \$23.3 billion, which includes a 4.5% increase in tax revenue collections over fiscal year 2016, exceeding the revenue estimate by 2.7% 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 2017 were \$1.3 billion more than the initial revenue estimate used for the budget. Of the major tax sources, individual income tax, general sales and use tax and motor vehicle taxes/motor vehicle ad valorem tax were the largest components of overall tax growth at \$538.2 million, or 5.2%; \$235.7 million, or 4.3%; and \$126.5 million, or 4.3%, respectively.

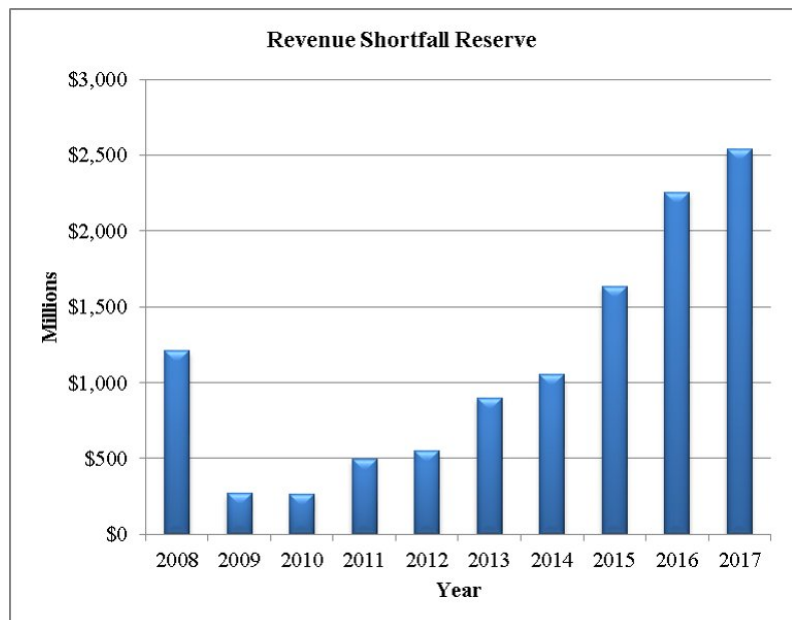


These results are consistent with the State's practice of setting conservative revenue estimates and corresponding budgets. These results have a direct impact on the State's revenue shortfall reserve discussed below.

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, 2017, the RSR increased by \$286.0 million and has a current balance of \$2.5 billion, which includes an audited agency lapse of \$142.0 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 (\$1.0 billion), reduction of agency allotment balances, and return of unexpended and unobligated funds by agencies. By statute, 1% of fiscal year 2017 state general fund receipts/net revenue collections (\$232.7 million) is available from the RSR for the mid-year K-12 education appropriation adjustment in the amended fiscal year 2017 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 2017

The U.S. economy continued to grow during fiscal year 2017. Real GDP posted strong growth of 2.8% annualized in the first quarter of the fiscal year (2016 Q3). Growth slowed below 2.0% annualized in each of the next two quarters but rebounded in the last quarter of the fiscal year. Growth in this quarter (2017 Q2) equaled 2.6% annualized. Figure A illustrates Real GDP growth since 2014. The U.S. labor market added 2.24 million net new jobs during fiscal year 2017. This equated to 1.6% growth. Figure B illustrates net job additions by month on a 3 month moving average basis. As shown, monthly job growth is volatile but averaged about 187,000 new jobs per month.

Table A - U.S. Real GDP Growth

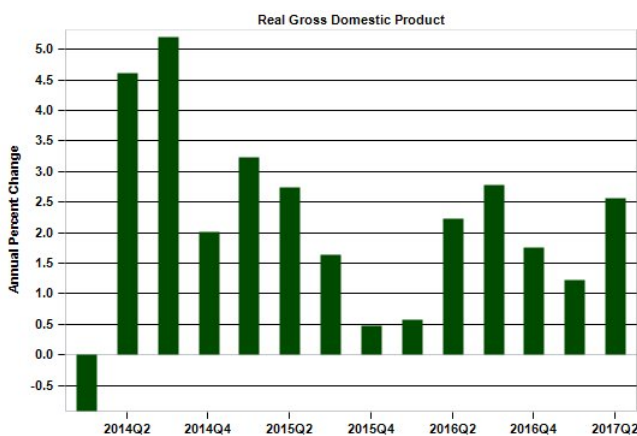
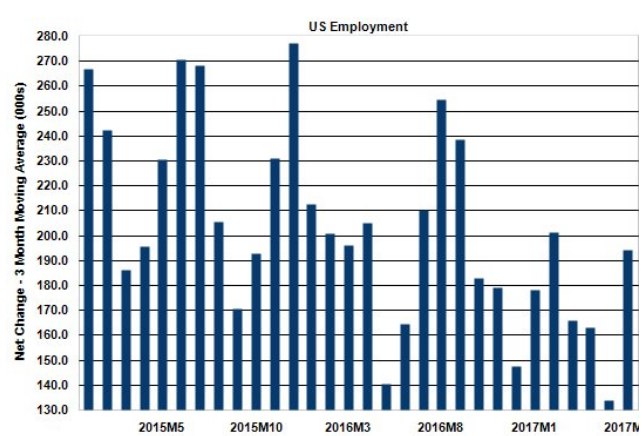


Table B - U.S. Job Growth



Georgia's labor market experienced strong growth during fiscal year 2017. Net job additions totaled 120,500 for the fiscal year; a growth rate of 2.8%. As shown in Figure C, monthly job growth on a 3 month moving average basis is volatile but averaged 10,000 jobs per month. Georgia's labor market expanded more quickly than the U.S. labor market during the fiscal year. Figure D shows the rate of job growth in Georgia on a 3 month moving average basis exceeded that of the U.S. labor market throughout the fiscal year.



(Unaudited)

Table C - Georgia Job Growth

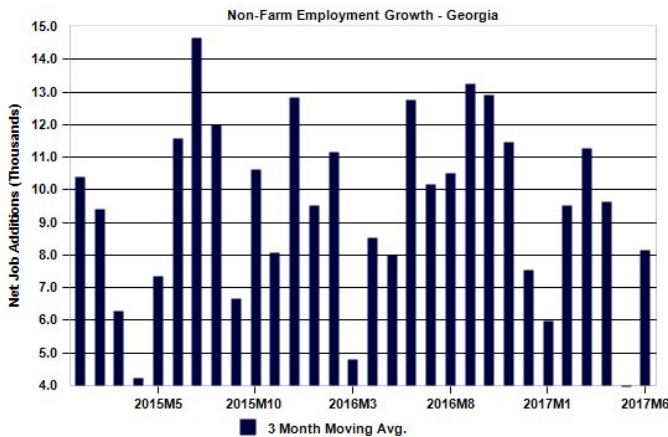
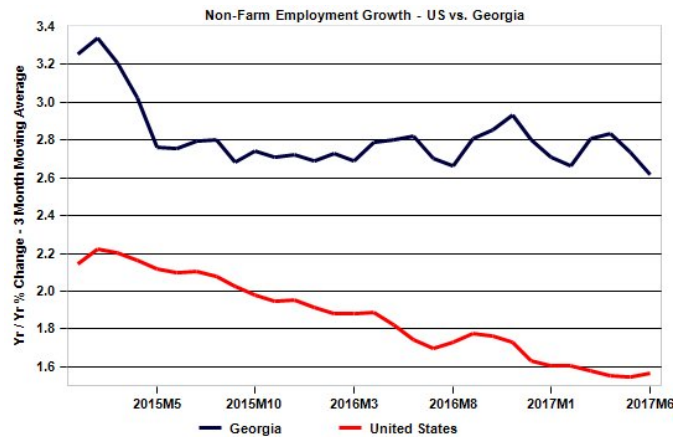


Table D - U.S. vs Georgia Job Growth



As shown in Figure E, Georgia's unemployment situation improved significantly during fiscal year 2017. The unemployment rate fell by 0.5 percentage points during fiscal year 2017. 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. Figure F illustrates that personal income growth in Georgia outperformed that of the U.S. during fiscal year 2017. Moreover, year over year growth accelerated during the last two quarters of the fiscal year. Overall, Georgia's personal income performance relative to that of the U.S. indicates that the State's economy is out-performing that of the U.S.

Table E - Georgia Unemployment Situation

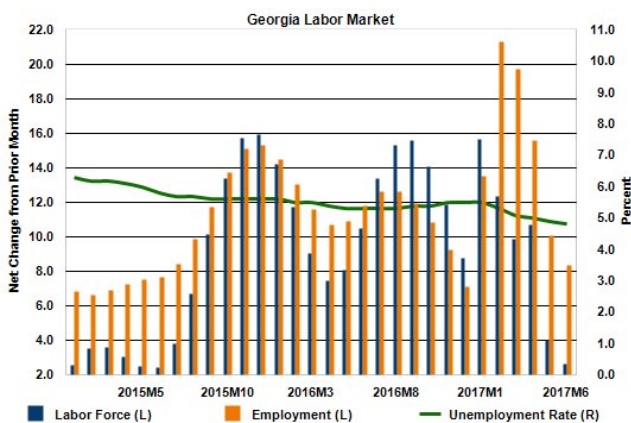
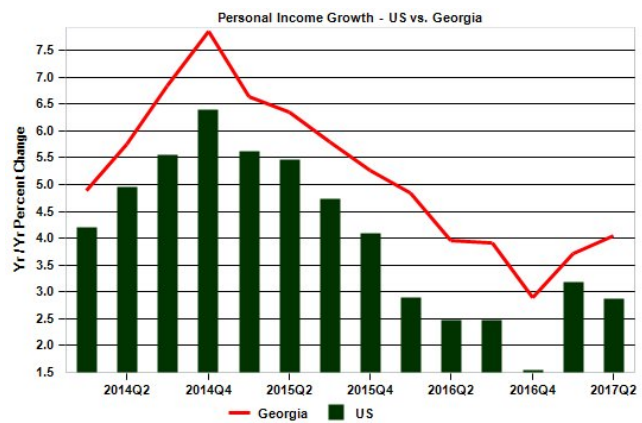


Table F - Georgia vs U.S. Personal Income Growth



Fiscal Year 2018 Budget Highlights

The fiscal year 2018 budget focuses on meeting growth needs in education, including increasing the base salaries for teachers, addressing needs in human services programming, and continuing to meet the state's pension obligations. The budget is built on 3.5% net revenue growth over the Amended fiscal year 2017 budget, including 3.6% expected tax growth.

Transportation Infrastructure

- \$162.6 million for transportation projects as a result of additional revenues from HB 170.
- \$100.0 million in GO bonds to repair, renovate, or replace bridges statewide.



Management's Discussion and Analysis

(Unaudited)

Education

- \$156.8 million in additional funds for the Quality Basic Education program to fund enrollment growth and teacher training and experience.
- \$85.8 million for the Quality Based Education Equalization program to assist low-wealth school systems.
- \$160.1 million to provide a 2% increase to the state base salary schedule for teachers.
- \$79.4 million to fully fund enrollment growth for the University System.

Human Services

- \$48.2 million for Medicaid and PeachCare for Kids.
- \$95.8 million to meet increased demand in child welfare programs.
- \$25.9 million for additional waivers and services as part of the DOJ settlement extension.

Other

- \$223.9 million to meet the ADEC for the Teachers Retirement System
- \$117.9 million to continue to address state employee salary needs through merit increases.
- \$55.5 million for a 20% pay increase for law enforcement officers.

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.



BASIC FINANCIAL STATEMENTS





Statement of Net Position

June 30, 2017

(dollars in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 2,627,053	\$ 1,456,899	\$ 4,083,952	\$ 624,490
Pooled Investments with State Treasury	3,644,560	802,501	4,447,061	1,459,950
Investments	3,399,022	546,580	3,945,602	2,082,227
Receivables (Net)	5,556,708	649,842	6,206,550	5,431,437
Due from Primary Government	—	—	—	113,852
Due from Component Units	107,809	426,401	534,210	—
Internal Balances	337,570	(337,570)	—	—
Inventories	52,893	31,202	84,095	31,875
Prepaid Items	39,482	60,407	99,889	45,907
Other Assets	33,626	2,265	35,891	160,936
Restricted Assets				
Cash and Cash Equivalents	—	1,744,104	1,744,104	341,972
Pooled Investments with State Treasury	219,510	196,906	416,416	96,188
Investments	—	305,825	305,825	2,035,150
Receivables (Net)	—	—	—	1,155,864
Net Pension Asset	65,313	—	65,313	—
Capital Assets				
Nondepreciable	7,716,640	780,850	8,497,490	2,088,916
Depreciable (Net of Accumulated Depreciation)	14,383,478	10,336,122	24,719,600	1,997,768
Total Assets	38,183,664	17,002,334	55,185,998	17,666,532
Deferred Outflows of Resources	1,604,253	1,041,915	2,646,168	168,013
Liabilities				
Accounts Payable and Accrued Liabilities	1,444,177	375,222	1,819,399	292,624
Local Education Agencies Payable	1,446,580	—	1,446,580	—
Due to Primary Government	—	—	—	534,210
Due to Component Units	104,422	9,430	113,852	—
Benefits Payable	895,573	292,505	1,188,078	—
Accrued Interest Payable	228,578	6,808	235,386	35,996
Contracts Payable	87,237	37,178	124,415	22,180
Funds Held for Others	126,631	106,668	233,299	35,635
Unearned Revenue	109,243	353,132	462,375	295,139
Claims and Judgments Payable	737,123	1,164	738,287	1,576
Other Liabilities	65,821	23,509	89,330	1,142,982
Noncurrent Liabilities:				
Net Pension Liability	4,692,936	3,710,653	8,403,589	211,566
Due within one year	1,217,210	263,142	1,480,352	226,376
Due in more than one year	10,060,849	6,178,688	16,239,537	4,540,006
Total Liabilities	21,216,380	11,358,099	32,574,479	7,338,290
Deferred Inflows of Resources	193,622	758,281	951,903	43,659
Net Position				
Net Investment in Capital Assets ⁽¹⁾	18,575,368	7,773,009	23,502,948	3,270,801
Restricted for:				
Bond Covenants/Debt Service	270	—	270	108,276
Capital Projects	—	22,934	22,934	183,535
Guaranteed Revenue Debt Common Reserve Fund	53,776	—	53,776	—
Higher Education	—	232,531	232,531	28,122
Loan and Grant Programs	—	—	—	1,677,049
Lottery for Education	1,137,504	—	1,137,504	—
Motor Fuel Tax Funds	2,943,677	—	2,943,677	—
Other Benefits	—	267,286	267,286	—
Permanent Trusts:				
Nonexpendable	—	193,259	193,259	1,564,200
Expendable	—	564	564	792,126
Unemployment Compensation Benefits	—	1,820,348	1,820,348	—
Other Purposes	878,277	102,639	980,916	718,846
Unrestricted ⁽¹⁾	(5,210,957)	(4,484,701)	(6,850,229)	2,109,641
Total Net Position	\$ 18,377,915	\$ 5,927,869	\$ 24,305,784	\$ 10,452,596

(1) Refer to Note 4 for additional details

State of Georgia

Statement of Activities

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

Functions/Programs	Expenses	Program Revenues		
		Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 1,229,891	\$ 698,096	\$ 366,753	\$ 22,931
Education	12,655,824	8,622	2,222,942	—
Health and Welfare	17,238,499	292,832	12,165,627	2,451
Transportation	1,964,380	33,146	120,066	1,571,359
Public Safety	2,628,645	186,972	227,794	3,380
Economic Development and Assistance	645,604	36,380	402,257	—
Culture and Recreation	279,375	153,533	95,618	7,529
Conservation	60,603	5,162	10,267	436
Interest and Other Charges on Long-Term Debt	394,388	—	—	—
Total Governmental Activities	<u>37,097,209</u>	<u>1,414,743</u>	<u>15,611,324</u>	<u>1,608,086</u>
Business-type Activities:				
Higher Education	9,063,716	3,552,863	2,719,977	50,793
State Health Benefit Plan	2,296,062	2,188,034	5,640	—
Unemployment Compensation	328,266	709,830	32,205	—
Other Business Type Activities	194,402	30,181	30,694	28,292
Total Business-type Activities	<u>11,882,446</u>	<u>6,480,908</u>	<u>2,788,516</u>	<u>79,085</u>
Total Primary Government	<u>\$ 48,979,655</u>	<u>\$ 7,895,651</u>	<u>\$ 18,399,840</u>	<u>\$ 1,687,171</u>
Component Units				
Georgia Environmental Finance Authority	\$ 35,094	\$ 34,166	\$ 74,436	\$ —
Geo. L. Smith II Georgia World Congress Center Authority	191,582	164,552	16,489	595,319
Georgia Housing and Finance Authority	167,722	75,061	95,602	—
Georgia Lottery Corporation	4,285,710	4,271,843	—	—
Georgia Ports Authority	285,461	372,983	14,867	9,061
Georgia Tech Foundation, Incorporated	125,535	25,591	202,092	—
Nonmajor Component Units	2,957,874	1,403,981	1,510,205	16,240
Total Component Units	<u>\$ 8,048,978</u>	<u>\$ 6,348,177</u>	<u>\$ 1,913,691</u>	<u>\$ 620,620</u>
General Revenues:				
Taxes				
Income Taxes - Individual				
Sales and Use Taxes - General				
Motor Fuel Taxes				
Motor Vehicle License and Title Ad Valorem Taxes				
Corporate 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**

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (142,111)		\$ (142,111)	
(10,424,260)		(10,424,260)	
(4,777,589)		(4,777,589)	
(239,809)		(239,809)	
(2,210,499)		(2,210,499)	
(206,967)		(206,967)	
(22,695)		(22,695)	
(44,738)		(44,738)	
(394,388)		(394,388)	
<u>(18,463,056)</u>		<u>(18,463,056)</u>	
	\$ (2,740,083)	(2,740,083)	
	(102,388)	(102,388)	
	413,769	413,769	
	<u>(105,235)</u>	<u>(105,235)</u>	
	<u>(2,533,937)</u>	<u>(2,533,937)</u>	
<u>(18,463,056)</u>	<u>(2,533,937)</u>	<u>(20,996,993)</u>	
			\$ 73,508
			584,778
			2,941
			(13,867)
			111,450
			102,148
			<u>(27,448)</u>
			<u>833,510</u>
11,318,052	—	11,318,052	—
5,798,400	—	5,798,400	—
1,741,413	—	1,741,413	—
1,347,626	—	1,347,626	—
955,791	—	955,791	—
607,929	—	607,929	26,173
1,101,062	—	1,101,062	—
442,576	—	442,576	—
140,938	—	140,938	—
50,631	—	50,631	67,222
143,683	—	143,683	—
196,046	—	196,046	—
—	—	—	180,834
—	833	833	112,758
<u>(2,803,960)</u>	<u>2,803,960</u>	<u>—</u>	<u>—</u>
<u>21,040,187</u>	<u>2,804,793</u>	<u>23,844,980</u>	<u>386,987</u>
<u>2,577,131</u>	<u>270,856</u>	<u>2,847,987</u>	<u>1,220,497</u>
<u>15,800,784</u>	<u>5,657,013</u>	<u>21,457,797</u>	<u>9,232,099</u>
<u>\$ 18,377,915</u>	<u>\$ 5,927,869</u>	<u>\$ 24,305,784</u>	<u>\$ 10,452,596</u>



Balance Sheet

Governmental Funds

June 30, 2017

(dollars in thousands)

	General Obligation			Total
	General Fund	Bond Projects Fund	Nonmajor Funds	
Assets				
Cash and Cash Equivalents	\$ 1,823,513	\$ 686,338	\$ 107,882	\$ 2,617,733
Pooled Investments with State Treasury	3,524,829	—	12,437	3,537,266
Investments	2,688,549	542,344	95,109	3,326,002
Receivables (Net)	5,381,646	—	22,009	5,403,655
Due from Other Funds	11,114	—	47,295	58,409
Due from Component Units	107,523	—	226	107,749
Inventories	39,681	—	—	39,681
Restricted Assets				
Pooled Investments with State Treasury	139,153	—	80,357	219,510
Other Assets	69,852	—	159	70,011
Total Assets	\$ 13,785,860	\$ 1,228,682	\$ 365,474	\$ 15,380,016
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	\$ 2,750,878	\$ 64,373	\$ 3,199	\$ 2,818,450
Due to Other Funds	513,379	24,197	10,648	548,224
Due to Component Units	104,412	—	10	104,422
Benefits Payable	895,573	—	—	895,573
Contracts Payable	34,122	22,551	30,564	87,237
Undistributed Local Government Sales Tax	18,900	—	—	18,900
Funds Held for Others	126,131	—	—	126,131
Unearned Revenue	106,397	—	—	106,397
Other Liabilities	38,911	24,219	—	63,130
Total Liabilities	4,588,703	135,340	44,421	4,768,464
Deferred Inflows of Resources	1,821,165	14,145	—	1,835,310
Fund Balances:				
Nonspendable	82,570	—	15,289	97,859
Restricted	4,652,244	1,038,590	272,271	5,963,105
Committed	10,921	—	—	10,921
Assigned	418,815	40,607	33,493	492,915
Unassigned	2,211,442	—	—	2,211,442
Total Fund Balances	7,375,992	1,079,197	321,053	8,776,242
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,785,860	\$ 1,228,682	\$ 365,474	\$ 15,380,016



Reconciliation of Fund Balances To the Statement of Net Position June 30, 2017 (dollars in thousands)

Total Fund Balances - Governmental Funds (from previous page) \$ 8,776,242

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	\$	4,019,860	
Buildings and Building Improvements		3,553,381	
Improvements Other Than Buildings		133,896	
Machinery and Equipment		982,559	
Infrastructure		29,563,798	
Construction in Progress		3,538,831	
Works of Art		117	
Intangibles - Other Than Software		123,513	
Software		438,614	
Accumulated Depreciation		(20,527,324)	21,827,245

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

Revenues are not available soon enough after year end to pay for current period's expenditures		1,820,748	
Amount on refunding of bonded debt		(997)	
Related to pensions		(113,579)	1,706,172

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.

476,283

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

Amount on refunding of bonded debt		227,813	
Related to pensions		1,360,195	1,588,008

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

Net Pension Asset		65,313	
Other Assets		2,496	67,809

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		(8,863,705)	
Premiums		(988,008)	
Accrued Interest Payable		(228,578)	
Revenue Bonds		(714,535)	
Premiums		(30,942)	
Capital Leases		(182,877)	
Compensated Absences		(360,183)	
Long-Term Notes		(63,063)	
Net Pension Liability		(4,629,337)	
Other		(2,616)	(16,063,844)

Total Net Position - Governmental Activities \$ 18,377,915



Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Revenues:				
Taxes	\$ 21,827,279	\$ —	\$ —	\$ 21,827,279
Licenses and Permits	392,102	—	—	392,102
Intergovernmental - Federal	16,523,828	20,103	—	16,543,931
Intergovernmental - Other	375,328	29,388	114,361	519,077
Sales and Services	601,557	—	6,647	608,204
Fines and Forfeits	475,421	—	—	475,421
Interest and Other Investment Income	53,460	12,524	2,796	68,780
Unclaimed Property	143,683	—	—	143,683
Lottery Proceeds	1,101,062	—	—	1,101,062
Nursing Home Provider Fees	156,746	—	—	156,746
Hospital Provider Payments	285,830	—	—	285,830
Other	288,396	—	—	288,396
Total Revenues	42,224,692	62,015	123,804	42,410,511
Expenditures:				
Current:				
General Government	913,831	1,318	—	915,149
Education	12,605,552	—	14	12,605,566
Health and Welfare	17,225,344	—	—	17,225,344
Transportation	2,841,230	—	60,198	2,901,428
Public Safety	2,540,030	—	—	2,540,030
Economic Development and Assistance	638,989	—	53,404	692,393
Culture and Recreation	301,768	—	—	301,768
Conservation	57,964	—	924	58,888
Capital Outlay	95,084	794,709	—	889,793
Debt Service				
Principal	—	—	1,042,625	1,042,625
Interest	179	—	418,998	419,177
Other Debt Service Expenditures	—	23,244	3,297	26,541
Intergovernmental	—	175,136	—	175,136
Total Expenditures	37,219,971	994,407	1,579,460	39,793,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,004,721	(932,392)	(1,455,656)	2,616,673
Other Financing Sources (Uses):				
Debt Issuance - General Obligation Bonds	—	920,035	—	920,035
Debt Issuance - Refunding Bonds	—	—	1,340,265	1,340,265
Debt Issuance - Other	26,331	—	26,389	52,720
Debt Issuance - General Obligation Bonds - Premium	—	111,054	—	111,054
Debt Issuance - Refunding Bonds - Premium	—	—	283,301	283,301
Payment to Refunded Bond Escrow Agent	—	—	(1,620,595)	(1,620,595)
Capital Leases	35,155	—	—	35,155
Transfers In	75,821	19,492	1,498,906	1,594,219
Transfers Out	(4,095,525)	(15,700)	(54,496)	(4,165,721)
Net Other Financing Sources (Uses)	(3,958,218)	1,034,881	1,473,770	(1,449,567)
Net Change in Fund Balances	1,046,503	102,489	18,114	1,167,106
Fund Balances, July 1 - Restated (Note 3)	6,329,489	976,708	302,939	7,609,136
Fund Balances, June 30	\$ 7,375,992	\$ 1,079,197	\$ 321,053	\$ 8,776,242



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, 2017

(dollars in thousands)

Net Change in Fund Balances - Governmental Funds (from previous page) \$ 1,167,106

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	\$ 2,282,337	
Depreciation expense	(1,007,560)	1,274,777

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		(42,802)
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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.		(666,094)
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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.		(35,155)
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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	824,290	
Revenue Bonds	220,335	
Capital Leases	25,038	1,069,663

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.		43,950
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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	(38,592)	
Accrued Interest on Bonds Payable	(8,961)	
Amortization of Deferred Amount on Refunding	(37,679)	
Bond Premiums	(298,385)	
Pension costs, net	144,649	
Other	4,654	(234,314)

Change in Net Position - Governmental Activities	\$	2,577,131
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Statement of Net Position

Proprietary Funds

June 30, 2017

(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 1,159,777	\$ 291,181	\$ —	\$ 5,940	\$ 1,456,898	\$ 9,326
Pooled Investments with State Treasury	402,332	393,709	—	2,047	798,088	111,707
Investments	31,520	—	—	267,194	298,714	11,746
Accounts Receivable (Net)	384,884	57,567	144,307	17,923	604,681	89,564
Due from Other Funds	24,197	—	—	2,228	26,425	675,016
Due from Component Units	192,166	—	—	234,235	426,401	59
Other Assets	93,644	—	—	158	93,802	13,884
Restricted Assets						
Cash and Cash Equivalents	—	—	1,738,114	—	1,738,114	—
Pooled Investments with State Treasury	—	—	—	174,857	174,857	15,101
Investments	—	82,216	—	—	82,216	—
Noncurrent Assets:						
Investments	247,866	—	—	—	247,866	61,275
Other Receivables	3,601	—	—	—	3,601	—
Notes Receivable	41,344	—	—	—	41,344	—
Restricted Assets						
Cash and Cash Equivalents	5,990	—	—	—	5,990	—
Pooled Investments with State Treasury	6,948	—	—	—	6,948	—
Investments	178,980	44,629	—	—	223,609	—
Non-Depreciable Capital Assets	755,228	—	15,970	9,354	780,552	35,894
Depreciable Capital Assets, net	10,302,650	—	—	33,452	10,336,102	237,297
Total Assets	13,831,127	869,302	1,898,391	747,388	17,346,208	1,260,869
Deferred Outflows of Resources	1,033,591	2,230	—	3,959	1,039,780	18,381

(continued)



Statement of Net Position

Proprietary Funds

June 30, 2017

(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	201,324	3,674	7,739	13,472	226,209	53,522
Due to Other Funds	187,551	148,900	—	21,472	357,923	2,522
Due to Component Units	9,026	—	—	404	9,430	—
Benefits Payable	67,571	217,744	7,190	—	292,505	—
Unearned Revenue	255,321	23,207	47,143	—	325,671	2,846
Claims and Judgments Payable	1,164	—	—	—	1,164	737,123
Compensated Absences Payable	160,663	138	—	130	160,931	2,172
Capital Leases/Installment Purchases Payable						
Component Units	76,503	—	—	—	76,503	—
Other	18,202	—	—	—	18,202	6,318
Revenue Bonds Payable	—	—	—	4,975	4,975	—
Other Current Liabilities	172,256	1	—	1,419	173,676	3,810
Current Liabilities Payable from Restricted Assets	—	—	—	20,082	20,082	7,377
Noncurrent Liabilities:						
Compensated Absences Payable	92,566	142	—	377	93,085	2,847
Capital Leases/Installment Purchases Payable						
Component Units	2,261,788	—	—	—	2,261,788	—
Other	687,632	—	—	—	687,632	48,309
Claims and Judgments Payable	2,307	—	—	—	2,307	—
Revenue Bonds Payable	—	—	—	264,161	264,161	—
Other Postemployment Benefit Obligation	2,616,066	—	—	—	2,616,066	—
Net Pension Liability	3,695,990	8,012	—	—	3,704,002	70,250
Other Noncurrent Liabilities	8,708	—	—	247,646	256,354	12,186
Total Liabilities	<u>10,514,638</u>	<u>401,818</u>	<u>62,072</u>	<u>574,138</u>	<u>11,552,666</u>	<u>949,282</u>
Deferred Inflows of Resources	<u>757,828</u>	<u>405</u>	<u>—</u>	<u>—</u>	<u>758,233</u>	<u>906</u>
Net Position						
Net Investment in Capital Assets	7,720,750	—	15,970	35,970	7,772,690	216,064
Restricted for:						
Capital Projects	16,754	—	—	—	16,754	6,180
Higher Education	232,531	—	—	—	232,531	—
Other Benefits	—	—	—	267,286	267,286	—
Other	—	—	—	102,639	102,639	—
Permanent Trusts						
Nonexpendable	193,259	—	—	—	193,259	—
Expendable	564	—	—	—	564	—
Unemployment Compensation Benefits	—	—	1,820,348	—	1,820,348	—
Unrestricted	<u>(4,571,606)</u>	<u>469,309</u>	<u>1</u>	<u>(228,686)</u>	<u>(4,330,982)</u>	<u>106,818</u>
Total Net Position	<u>\$ 3,592,252</u>	<u>\$ 469,309</u>	<u>\$ 1,836,319</u>	<u>\$ 177,209</u>	<u>6,075,089</u>	<u>\$ 329,062</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					<u>(147,221)</u>	
Net Position of Business-type Activities					<u>\$ 5,927,868</u>	





Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Business-type Activities - Enterprise Funds				Total	Governmental
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds		Internal Service Funds
Operating Revenues:						
Operating Grants and Contributions/Premiums	\$ 1,752,090	\$ 2,188,034	\$ 709,830	\$ 599	\$ 4,650,553	\$ 256,642
Rents and Royalties	8,080	—	—	—	8,080	48,558
Sales and Services	1,154,171	—	—	29,427	1,183,598	363,788
Tuition and Fees	2,870,504	—	—	—	2,870,504	—
Less: Scholarship Allowances	(656,680)	—	—	—	(656,680)	—
Other	176,788	—	—	—	176,788	9,044
Total Operating Revenues	5,304,953	2,188,034	709,830	30,026	8,232,843	678,032
Operating Expenses:						
Personal Services	5,383,222	6,791	—	1,874	5,391,887	52,407
Services and Supplies	2,554,110	131,083	—	16,020	2,701,213	368,151
Scholarships and Fellowships	392,525	—	—	—	392,525	—
Benefits	—	2,158,188	328,266	4,019	2,490,473	—
Claims and Judgments	—	—	—	—	—	241,852
Interest Expense	—	—	—	11,420	11,420	—
Depreciation	545,359	—	—	4,217	549,576	22,288
Amortization	—	—	—	(80)	(80)	—
Total Operating Expenses	8,875,216	2,296,062	328,266	37,470	11,537,014	684,698
Operating Income (Loss)	(3,570,263)	(108,028)	381,564	(7,444)	(3,304,171)	(6,666)
Nonoperating Revenues (Expenses):						
Grants and Contributions	923,417	—	—	—	923,417	—
Interest and Other Investment Income	44,041	5,640	32,205	30,582	112,468	2,067
Interest Expense	(162,045)	—	—	(4,319)	(166,364)	—
Other	(18,539)	—	—	(147,426)	(165,965)	18,651
Net Nonoperating Revenues (Expenses)	786,874	5,640	32,205	(121,163)	703,556	20,718
Income (Loss) Before Contributions and transfers	(2,783,389)	(102,388)	413,769	(128,607)	(2,600,615)	14,052
Contributions to Permanent Endowments	833	—	—	—	833	—
Capital Grants and Contributions	286,630	—	—	28,292	314,922	18,793
Total Contributions	287,463	—	—	28,292	315,755	18,793
Transfers:						
Transfers In	2,503,055	—	—	70,611	2,573,666	11,395
Transfers Out	(8,259)	—	—	(159)	(8,418)	(7,427)
Net Transfers	2,494,796	—	—	70,452	2,565,248	3,968
Change in Net Position	(1,130)	(102,388)	413,769	(29,863)	280,388	36,813
Net Position, July 1 - Restated (Note 3)	3,593,382	571,697	1,422,550	207,072		292,249
Net Position, June 30	<u>\$ 3,592,252</u>	<u>\$ 469,309</u>	<u>\$ 1,836,319</u>	<u>\$ 177,209</u>		<u>\$ 329,062</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(9,532)	
Change in Net Position of business-type activities					<u>\$ 270,856</u>	



Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Business-type Activities - Enterprise Funds				Total	Governmental
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds		Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 51,172	\$ —	\$ —	\$ 17,752	\$ 68,924	\$ 77,030
Cash Received from Other Funds (Internal Activity)	—	—	—	607	607	337,064
Cash Received from Grants and Required Contributions/Premiums	1,738,223	2,262,230	740,579	—	4,741,032	13,686
Cash Received from Grants and Required Contributions/Premiums (Internal Activity)	—	—	—	—	—	138,456
Cash Received from Tuition and Fees	3,479,059	—	—	—	3,479,059	—
Cash Paid to Vendors	(3,478,621)	(135,409)	—	(18,742)	(3,632,772)	(360,129)
Cash Paid to Employees	(4,059,700)	(5,041)	—	(1,788)	(4,066,529)	(55,174)
Cash Paid for Benefits	—	(2,120,983)	(328,401)	—	(2,449,384)	—
Cash Paid for Claims and Judgments	—	—	—	—	—	(144,572)
Cash Paid to Other Funds (Internal Activity)	—	—	—	(4,868)	(4,868)	—
Cash Paid for Scholarships, Fellowships and Loans	(402,485)	—	—	—	(402,485)	—
Other Operating Receipts	17,896	—	—	—	17,896	—
Other Operating Payments	(2,623)	—	—	—	(2,623)	(625)
Net Cash Provided by (Used in) Operating Activities	<u>(2,657,079)</u>	<u>797</u>	<u>412,178</u>	<u>(7,039)</u>	<u>(2,251,143)</u>	<u>5,736</u>
Cash Flows from Noncapital Financing Activities:						
Interest Paid on Debt	—	—	—	(11,427)	(11,427)	—
Transfers from Other Funds	2,503,055	—	—	—	2,503,055	7,736
Transfers to Other Funds	(2,993)	—	—	(654)	(3,647)	(4,594)
Payments on Noncapital Financing Debt	—	—	—	(4,817)	(4,817)	—
Other Noncapital Receipts	1,014,653	—	—	172	1,014,825	6,417
Other Noncapital Payments	(31,644)	—	—	—	(31,644)	(3,981)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>3,483,071</u>	<u>—</u>	<u>—</u>	<u>(16,726)</u>	<u>3,466,345</u>	<u>5,578</u>
Cash Flows from Capital and Related Financing Activities:						
Capital Contributions	—	—	—	—	—	785
Capital Grants and Gifts Received	90,384	—	—	37,284	127,668	—
Bond Issuance Costs	—	—	—	(88,437)	(88,437)	—
Proceeds from Sale of Capital Assets	8,225	—	—	—	8,225	8,024
Proceeds from Capital Debt	—	—	—	212,501	212,501	—
Acquisition and Construction of Capital Assets	(463,286)	—	(11,449)	(35,243)	(509,978)	(10,475)
Principal Paid on Capital Debt	(86,722)	—	—	—	(86,722)	(5,208)
Interest Paid on Capital Debt	(162,773)	—	—	(2,187)	(164,960)	—
Net Cash Used in Capital and Related Financing Activities	<u>(614,172)</u>	<u>—</u>	<u>(11,449)</u>	<u>123,918</u>	<u>(501,703)</u>	<u>(6,874)</u>
Cash Flows from Investing Activities:						
Proceeds from Sales of Investments	890,397	88,602	—	240,948	1,219,947	72,748
Purchase of Investments	(969,810)	—	—	(267,194)	(1,237,004)	(74,424)
Interest and Dividends Received	28,093	9,897	32,205	30,520	100,715	3,471
Other Investing Activities	—	—	—	16,072	16,072	—
Net Cash Provided by (Used in) Investing Activities	<u>(51,320)</u>	<u>98,499</u>	<u>32,205</u>	<u>20,346</u>	<u>99,730</u>	<u>1,795</u>
Net Increase (Decrease) in Cash and Cash Equivalents	160,500	99,296	432,934	120,499	813,229	6,235
Cash and Cash Equivalents, July 1 - Restated (Note 3)	<u>1,414,547</u>	<u>585,594</u>	<u>1,305,180</u>	<u>62,345</u>	<u>3,367,666</u>	<u>129,899</u>
Cash and Cash Equivalents, June 30	<u>\$ 1,575,047</u>	<u>\$ 684,890</u>	<u>\$ 1,738,114</u>	<u>\$ 182,844</u>	<u>\$ 4,180,895</u>	<u>\$ 136,134</u>

(continued)



Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities -	
	Higher Education Fund	State Health Benefits Plan	Unemployment Compensation Fund	Nonmajor Funds	Internal Service Funds	
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities						
Operating Income (Loss)	\$ (3,570,263)	\$ (108,028)	\$ 381,564	\$ (7,444)	\$ (3,304,171)	\$ (6,666)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation/Amortization Expense	545,359	—	—	4,137	549,496	22,289
Other Reconciling Items	953	—	—	(7)	946	—
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:						
Accounts Receivable	(38,703)	(54,638)	23,608	(248)	(69,981)	(15,034)
Due from Other Funds	—	—	—	8	8	(100,883)
Due from Component Units	—	—	—	—	—	31
Notes Receivable	585	—	—	—	585	—
Other Assets	(12,146)	—	—	(156)	(12,302)	3,082
Deferred Outflows of Resources	(615,724)	(294)	—	—	(616,018)	(8,834)
Accounts Payable and Other Accruals	(9,797)	(2,159)	856	(3,351)	(14,451)	9,152
Due to Other Funds	—	119,041	—	—	119,041	(379)
Benefits Payable	—	37,205	(134)	—	37,071	—
Unearned Revenue	6,227	8,986	6,284	—	21,497	4,137
Claims and Judgments Payable	—	—	—	—	—	97,275
Compensated Absences Payable	11,335	50	—	22	11,407	153
Other Postemployment Benefit Obligation	260,198	—	—	—	260,198	—
Net Pension Liability	924,731	992	—	—	925,723	11,550
Other Liabilities	38,874	—	—	—	38,874	(4,270)
Deferred Inflows of Resources	(198,708)	(358)	—	—	(199,066)	(5,867)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (2,657,079)</u>	<u>\$ 797</u>	<u>\$ 412,178</u>	<u>\$ (7,039)</u>	<u>\$ (2,251,143)</u>	<u>\$ 5,736</u>
Noncash Investing, Capital, and Financing Activities:						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	\$ (134,750)	\$ —	\$ —	\$ —	\$ (134,750)	\$ —
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	(945)	—	—	—	(945)	—
Change in Non-Capital Financing Activities Advances And Deferred Inflows Reducing Proceeds of Grants	13,056	—	—	—	13,056	—
Donation of Capital Assets	320,269	—	—	—	320,269	14,461
Change in Receivable from Grantor Agency Affecting Proceeds of Capital Debt	(3,261)	—	—	—	(3,261)	—
Change in Accrued Interest Payable Affecting Interest Paid	230	—	—	—	230	—
Capital Assets Acquired by Incurring Capital Lease Obligations	(17,624)	—	—	—	(17,624)	—
Change in Fair Value of Investments	15,948	—	—	—	15,948	(1,350)
Special Item - Equipment-Capital Asset Transfer	—	—	—	—	—	—
Capital Lease Obligation	20,345	—	—	—	20,345	—
Loss on Disposal of Capital Assets Reducing Proceeds from Sale of Capital Assets	(7,223)	—	—	—	(7,223)	—
Other	76	—	—	—	76	—
Total Noncash Investing, Capital and Financing Activities	<u>\$ 206,121</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 206,121</u>	<u>\$ 13,111</u>



Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	\$ 1,972,107	\$ —	\$ 15,660	\$ 119,012	\$ 2,106,779
Pooled Investments with State Treasury	1,085,211	6,699,108	134,131	63,769	7,982,219
Receivables					
Interest and Dividends	238,388	496	—	—	238,884
Due from Brokers for Securities Sold	66,985	—	—	—	66,985
Other	232,958	—	5,904	34,064	272,926
Due from Other Funds	149,455	—	—	—	149,455
Investments, at Fair Value					
Certificates of Deposit	—	—	—	1,484	1,484
Pooled Investments	15,337,659	—	—	136,167	15,473,826
Exchange Traded Funds	16,789	—	—	—	16,789
Mutual Funds	2,035,220	—	—	—	2,035,220
Municipal, U.S. and Foreign					
Government Obligations	11,791,867	—	—	36,309	11,828,176
Corporate Bonds/Notes/Debentures	8,790,459	—	—	—	8,790,459
Stocks	50,006,703	—	—	—	50,006,703
Asset-backed Securities	13,439	—	—	—	13,439
Mortgage Investments	113,044	—	—	—	113,044
Real Estate Investment Trusts	43,464	—	—	—	43,464
Capital Assets					
Land	8,867	—	—	—	8,867
Buildings	7,793	—	826	—	8,619
Software	29,453	—	—	—	29,453
Machinery and Equipment	6,767	—	94	—	6,861
Works of Art	114	—	—	—	114
Accumulated Depreciation	(36,601)	—	(588)	—	(37,189)
Other Assets	—	—	—	11,129	11,129
Total Assets	91,910,141	6,699,604	156,027	401,934	99,167,706
Deferred Outflows of Resources	8,483	—	371	—	8,854
Liabilities					
Accounts Payable and Other Accruals	42,041	4	12	2,213	44,270
Due to Other Funds	634	—	2	—	636
Due to Brokers for Securities Purchased	96,532	—	—	—	96,532
Salaries/Withholdings Payable	31	—	—	9	40
Benefits Payable	43,606	—	—	—	43,606
Funds Held for Others	—	—	—	399,703	399,703
Notes Payable	17	—	—	—	17
Unearned Revenue	5	—	—	—	5
Compensated Absences Payable	55	—	154	—	209
Net Pension Liability	33,057	—	1,640	—	34,697
Other Liabilities	15	—	349	9	373
Total Liabilities	215,993	4	2,157	401,934	620,088
Deferred Inflows of Resources	76	—	198	—	274
Net Position					
Restricted for:					
Pension Benefits	89,356,540	—	—	—	89,356,540
Other Postemployment Benefits	2,346,015	—	—	—	2,346,015
Pool Participants	—	6,699,600	—	—	6,699,600
Other Purposes	—	—	154,043	—	154,043
Total Net Position	\$ 91,702,555	\$ 6,699,600	\$ 154,043	\$ —	\$ 98,556,198



Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	\$ 3,572,341	\$ —	\$ —	\$ 3,572,341
NonEmployer	103,246	—	—	103,246
Plan Members/Participants	891,673	—	106,547	998,220
Other Contributions				
Insurance Premiums	3,793	—	—	3,793
Other Fees	348	—	—	348
Interest and Other Investment Income				
Dividends and Interest	1,877,755	44,055	836	1,922,646
Net Appreciation (Depreciation) in Investments Reported at Fair Value	8,262,586	51	—	8,262,637
Less: Investment Expense	(70,561)	(3,527)	—	(74,088)
Pool Participant Deposits	—	9,077,599	—	9,077,599
Other				
Transfers from Other Funds	2,286	—	—	2,286
Miscellaneous	2,359	—	—	2,359
Total Additions	14,645,826	9,118,178	107,383	23,871,387
Deductions:				
General and Administrative Expenses	68,142	—	1,487	69,629
Benefits	6,792,032	—	33,007	6,825,039
Pool Participant Withdrawals	—	9,400,379	—	9,400,379
Refunds	99,711	—	—	99,711
Total Deductions	6,959,885	9,400,379	34,494	16,394,758
Change in Net Position Restricted for:				
Pension and Other Employee Benefits	7,685,941	—	—	7,685,941
Pool Participants	—	(282,201)	—	(282,201)
Other Purposes	—	—	72,889	72,889
Net Position, July 1 - Restated (Note 3)	84,016,614	6,981,801	81,154	91,079,569
Net Position, June 30	\$ 91,702,555	\$ 6,699,600	\$ 154,043	\$ 98,556,198



Statement of Net Position

Component Units

June 30, 2017

(dollars in thousands)

	Georgia Environmental Finance Authority	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 15,179	\$ 21,775	\$ 49,463	\$ 29,503
Pooled Investments with State Treasury	989,680	16,694	53,383	—
Investments	4,971	—	49,212	—
Receivables				
Accounts (Net)	1,857	8,645	—	168,805
Capital Leases from Primary Government	—	—	—	—
Interest and Dividends	4,207	—	684	—
Notes and Loans (Net)	—	—	—	—
Taxes	—	2,515	—	—
Due from Primary Government	—	—	—	—
Due from Component Units	—	—	—	—
Intergovernmental Receivables	922	—	—	—
Restricted for:				
Pooled Investments with State Treasury	—	—	96,188	—
Other Current Assets	1	466	73,293	4,561
Noncurrent Assets:				
Investments	—	—	173,028	—
Receivables (Net)				
Capital Leases from Primary Government	—	—	—	—
Notes and Loans	1,359,036	—	655,722	—
Other	—	—	—	—
Restricted Assets				
Cash and Cash Equivalents	—	45,330	70,641	14,413
Investments	—	—	68,797	208,510
Receivables (Net)				
Notes and Loans	—	—	1,014,881	—
Interest and Dividends	—	—	9,216	—
Other	—	131,767	—	—
Non-depreciable Capital Assets	—	1,522,643	800	—
Depreciable Capital Assets (Net)	146	20,816	2,673	5,340
Other Noncurrent Assets	—	—	—	—
Total Assets	2,375,999	1,770,651	2,317,981	431,132
Deferred Outflows of Resources	1,419	9,238	—	124



Statement of Net Position

Component Units

June 30, 2017

(dollars in thousands)

Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
\$ 61,990	\$ 5,484	\$ 441,096	\$ 624,490
236,478	—	163,715	1,459,950
14,385	—	189,140	257,708
48,625	19,112	396,025	643,069
—	6,613	69,890	76,503
—	—	3,646	8,537
352	—	141,969	142,321
—	—	803	3,318
416	—	113,436	113,852
—	—	334	334
—	—	12,033	12,955
—	—	—	96,188
6,559	—	87,942	172,822
—	913,577	737,914	1,824,519
—	117,218	2,144,570	2,261,788
88	—	82,566	2,097,412
—	105,211	80,323	185,534
—	10,857	200,731	341,972
—	621,400	1,136,443	2,035,150
—	—	—	1,014,881
—	—	—	9,216
—	—	—	131,767
332,531	30,783	202,159	2,088,916
762,371	81,327	1,125,095	1,997,768
5,759	24,858	35,279	65,896
<u>1,469,554</u>	<u>1,936,440</u>	<u>7,365,109</u>	<u>17,666,866</u>
<u>52,253</u>	<u>—</u>	<u>104,979</u>	<u>168,013</u>

(continued)



Statement of Net Position

Component Units

June 30, 2017

(dollars in thousands)

	Georgia Environmental Finance Authority	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	2,478	12,903	7,704	115,884
Due to Primary Government	—	29,839	—	77,686
Due to Component Units	—	—	—	—
Funds Held for Others	—	—	—	—
Unearned Revenue	—	3,820	2,364	—
Notes and Loans Payable	—	—	—	—
Revenue/Mortgage Bonds Payable	1,750	—	31,520	—
Other Current Liabilities	125	258	284,221	5,411
Current Liabilities Payable from Restricted Assets:				
Other	—	3,132	—	14,184
Noncurrent Liabilities:				
Unearned Revenue	—	149,624	—	—
Notes and Loans Payable	—	—	—	—
Revenue/Mortgage Bonds Payable	42,187	—	1,146,555	—
Grand Prizes Payable	—	—	—	189,999
Derivative Instrument Payable	—	—	—	—
Net Pension Liability	5,995	34,150	—	608
Other Noncurrent Liabilities	374	5,979	655,931	4,820
Total Liabilities	52,909	239,705	2,128,295	408,592
Deferred Inflows	62	102	—	8,675
Net Position				
Net Investment in Capital Assets	146	1,543,459	3,473	5,340
Restricted for:				
Bond Covenants/Debt Service	79,407	—	—	—
Capital Projects	—	—	—	—
Higher Education	—	—	—	—
Permanent Trusts				
Expendable	—	—	—	—
Nonexpendable	—	—	—	—
Loan and Grant Programs	1,677,049	—	—	—
Other Purposes	—	24,402	—	—
Unrestricted	567,845	(27,779)	186,213	8,649
Total Net Position	\$ 2,324,447	\$ 1,540,082	\$ 189,686	\$ 13,989



Statement of Net Position

Component Units

June 30, 2017

(dollars in thousands)

Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
27,726	9,344	149,841	325,880
31	—	426,654	534,210
—	—	334	334
—	—	35,635	35,635
—	23,784	109,064	139,032
26,857	25,929	16,314	69,100
—	10,725	70,582	114,577
2,739	2,360	92,376	387,490
—	—	7,604	24,920
661	—	5,822	156,107
—	47,271	127,817	175,088
—	247,498	2,544,626	3,980,866
—	—	—	189,999
—	—	57,857	57,857
15,054	—	155,759	211,566
68,144	28,736	171,979	935,963
141,212	395,647	3,972,264	7,338,624
5,706	—	29,114	43,659
1,068,045	47,570	602,768	3,270,801
—	—	28,869	108,276
—	8,845	174,690	183,535
—	—	28,122	28,122
—	718,122	74,004	792,126
—	693,105	871,095	1,564,200
—	—	—	1,677,049
—	—	694,444	718,846
306,844	73,151	994,718	2,109,641
\$ 1,374,889	\$ 1,540,793	\$ 3,468,710	\$ 10,452,596



Statement of Activities

Component Units

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Georgia Environmental Finance Authority	Geo. L. Smith II Georgia World Congress Center Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation
Expenses	\$ 35,094	\$ 191,582	\$ 167,722	\$ 4,285,710
Program Revenues:				
Sales and Charges for Services	34,166	164,552	75,061	4,271,843
Operating Grants and Contributions	74,436	16,489	95,602	—
Capital Grants and Contributions	—	595,319	—	—
Total Program Revenues	108,602	776,360	170,663	4,271,843
Net (Expenses) Revenue	73,508	584,778	2,941	(13,867)
General Revenues:				
Taxes	—	20,088	—	—
Unrestricted Investment Income/(Loss)	—	—	—	—
Payments from the State of Georgia	—	—	—	—
Contributions to Permanent Endowments	—	—	—	—
Total General Revenues	—	20,088	—	—
Change in Net Position	73,508	604,866	2,941	(13,867)
Net Position, July 1 - Restated (Note 3)	2,250,939	935,216	186,745	27,856
Net Position, June 30	\$ 2,324,447	\$ 1,540,082	\$ 189,686	\$ 13,989

State of Georgia



Statement of Activities

Component Units

June 30, 2017

(dollars in thousands)

Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Nonmajor Component Units	Total
\$ 285,461	\$ 125,535	\$ 2,957,874	\$ 8,048,978
372,983	25,591	1,403,981	6,348,177
14,867	202,092	1,510,205	1,913,691
9,061	—	16,240	620,620
396,911	227,683	2,930,426	8,882,488
111,450	102,148	(27,448)	833,510
—	—	6,085	26,173
—	30,997	36,225	67,222
—	—	180,834	180,834
—	39,717	73,041	112,758
—	70,714	296,185	386,987
111,450	172,862	268,737	1,220,497
1,263,439	1,367,931	3,199,973	9,232,099
\$ 1,374,889	\$ 1,540,793	\$ 3,468,710	\$ 10,452,596





Notes to the Financial Statements

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 all 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. 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, 2017

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 finance transportation projects and operate toll facilities in the State of Georgia. SRTA'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 SRTA's governmental funds. SRTA issues bonded debt which finances State transportation infrastructure construction. (AUD)

Enterprise Funds

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

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 University System of Georgia. 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



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

services entirely or almost entirely to the Primary Government and is therefore considered a blended component unit. (AUD)

The State Employees' Assurance Department - Active (SEAD-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. SEAD-Active is a cost-sharing multiple employer life insurance plan created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to active members of ERS, LRS, and GJRS. (AUD)

The **State Road and Tollway Authority** is a legally separate public corporation created to finance transportation projects and operate toll facilities in the State of Georgia. SRTA uses an enterprise fund to account for its operation of the transit fund, which was created in preparation of the transition of the Xpress commuter bus service and Van Pool service from the Georgia Regional Transportation Authority (Discrete Component Unit) to SRTA, the I-75 S Metro Express Lanes and the I-75 Northwest Corridor Express activity, as well as operate one toll facility (i.e. the I-85 Express Lanes) and five toll facilities under planning and/or construction. (AUD)

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 **State Road and Tollway Authority Authority** is a legally separate public corporation created to finance transportation projects and operate toll facilities in the State of Georgia. SRTA's internal service fund is used to report activity within the statewide electronic toll collection customer service center, including image review of toll trips and toll account management. (AUD)

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, 2017

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 **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 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 **Georgia Agricultural Exposition Authority** is a body corporate and politic. The 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)



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. The 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. (AUD)

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. The 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. The 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)



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The **Georgia Student Finance Authority** is a body corporate and politic. The 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 maintenance and operation 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 Advanced Technology Ventures, Inc.
- AU Health System, Inc.
- AU Medical Associates
- Augusta University Foundation, Inc. and Subsidiaries
- Augusta University Research Institute, Inc.
- Georgia College & State University Foundation, Inc.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Georgia Gwinnett College Foundation Inc.
Georgia Health Sciences Foundation, Inc.
Georgia Southern University Housing Foundation, Inc.
Georgia State University Foundation, Inc.
Georgia State University Research Foundation, Inc.
Georgia Tech Athletic Association
Georgia Tech Facilities, Inc.
Georgia Tech Research Corporation
Kennesaw State University Athletic Association, Inc.
Kennesaw State University Foundation, Inc.
Medical College of Georgia Foundation, Inc.
Middle Georgia State University Real Estate Foundation, Inc.
University of Georgia Athletic Association, Inc.
University of Georgia Foundation
University of Georgia Research Foundation, Inc.
University of North Georgia Real Estate Foundation, Inc.
UWG Real Estate Foundation, Inc.
University System of Georgia Foundation, Inc.
VSU Auxiliary Services Real Estate 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.

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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

Pooled Investments with State Treasury

The Office of the State Treasurer (OST) manages the Local Government Investment Pool (LGIP) Trust. The trust consists of the following three pools: The Georgia Fund 1 (GF1), the Georgia Extended Asset Pool (GEAP), the Georgia Fund 1 Plus (GF1 Plus), and the LGIP Trust reserve. For cash flow purposes, amounts reported in the Pooled Investments with State Treasury are considered cash equivalents.

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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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," "Georgia Fund 1 Plus" 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.

Georgia Fund 1 – The GF1 or the Primary Liquidity Portfolio's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal. It is managed as a stable Net Asset Value (NAV) pool. 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. For financial reporting purposes, the pool is reported at fair market value.

Georgia Fund 1 Plus – GF1 Plus was established on July 1, 2016, and is managed to maintain a stable Net Asset Value (NAV) of \$1.00. GF1 Plus is primarily managed by OST. For fiscal year 2017, a portion of the pool was invested by a subadvisor. For financial reporting purposes, the pool is reported at fair market value. GF1 Plus was established as an additional LGIP investment option in 2017 and currently consists of funds for the state as well as state agencies looking to benefit from higher yields available by adding credit exposure. GF1 Plus was initially funded through redemptions in GF1. OST seeks to match investment terms to the cash requirements of the pool.

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. 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. For financial reporting purposes, the pool is reported at fair market value. 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.

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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Category	Threshold
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.

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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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,



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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, 2017

NOTE 2 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. *Implementation of New Accounting Standards*

In fiscal year 2017, the State implemented the following new GASB Statements:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, through which accounting for certain pensions and related assets not covered by GASB Statement No. 68 and the related disclosure requirements were modified. The requirements of this Statement address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. Adoption of this Statement did not have a significant impact on the financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves 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. Implementation of GASB Statement No. 74 also required more comprehensive footnote disclosure regarding the OPEB liability, the sensitivity of the net OPEB liability to the discount rate and increased investment activity disclosures.

GASB Statement No. 77, *Tax Abatement Disclosures*, defines tax abatement and provides disclosure guidance for governments that have granted tax abatements. Adoption of this Statement did not have a significant impact on the financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses 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. Adoption of this Statement did not have a significant impact on the financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, improves 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*. Adoption of this Statement did not have a significant impact on the financial statements.



NOTE 2 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (continued)

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. 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. Adoption of this Statement did not have a significant impact on the financial statements.

In fiscal year 2018, the State will implement the following GASB Statements:

No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

No. 81 *Irrevocable Split-Interest Agreements*

No. 85 *Omnibus 2017*

No. 86 *Certain Debt Extinguishment Issues*

The objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The objective of Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics: blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation, reporting amounts previously reported as goodwill and “negative” goodwill, classifying real estate held by insurance entities, measuring certain money market investments and participating interest-earning investment contracts at amortized cost, timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus, recognizing on-behalf payments for pensions or OPEB in employer financial statements, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, classifying employer-paid member contributions for OPEB, simplifying certain aspects of the alternative measurement method for



NOTE 2 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (continued)

OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The State anticipates that implementation of GASB Statement No. 75 will have a significant financial impact for the State, although no estimate of that impact is currently available. As of the date of this report, the State has not determined the financial impact of implementing Statement No. 75. There is no material financial impact as a result of implementing GASB Statement No. 81, Statement No. 85 and Statement No. 86.

B. Change in Financial Reporting Entity

Primary Government

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 part of the Higher Education Fund. However, these foundations are now reported as discretely presented Component Units in fiscal year 2017. The effect of this presentation change was a decrease to Higher Education Fund beginning net position and an increase to the Component Units beginning net position in the amount of \$52.6 million.

A portion of the State Road and Tollway Authority's (SRTA) special revenue fund met the requirements to be presented as an Enterprise fund totaling \$22.2 million. Of this amount, \$43.9 million is shown as a decrease in the Special Revenue Fund, and \$13.5 million is an increase to the Governmental Activities statement of net position. Additionally, a portion of SRTA's Special Revenue Fund met the requirements to be presented as an Internal Service Fund, which increased net position by \$8.6 million.

Component Units

In addition to the foundations mentioned above, it was determined that Augusta State University Foundation, Inc. and Subsidiaries, Georgia Advanced Technology Ventures, Inc., Georgia Health Sciences Foundation, Inc., Kennesaw State University Athletic Association, Inc., Augusta University Research Institute, Inc., and Georgia State University Research Foundation Inc. and Affiliates met requirements for inclusion as discretely presented component units for fiscal year 2017, which increased beginning net position in the amount of \$116.4 million.

C. Changes in Accounting Principles

Primary Government

For fiscal year 2017, SRTA implemented a new indirect cost allocation plan that allocates current year indirect costs in the same year versus allocating based on a 2-year lag. For fiscal years 2015 and 2016, indirect cost allocations increased their nonmajor governmental fund beginning net position by \$12.0 million and decreased the proprietary funds net position by \$12.0 million.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (continued)

During fiscal year 2017, as a result of implementing GASB Statement No. 74, State Employees' Assurance Department - Active (SEAD-Active) and the Survivor's Benefit Fund (SBF), within the Employees' Retirement System of Georgia, no longer met the requirements for inclusion as Pension and Other Employee Benefit Trust Funds. SEAD-Active met the requirements for presentation as a Nonmajor Enterprise fund, and SBF met the requirements for presentation as an Agency fund. The effect of these presentation changes was a decrease to Pension and Other Employee Benefit Trust Funds net position of \$361.9 million and an increase to Nonmajor Enterprise Funds beginning net position in the amount of \$241.0 million.

Component Units

The Georgia Ports Authority's implementation of GASB Statement No. 73 required a decrease to beginning net position of \$18.4 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 also had decrease to net position of \$16.5 million as a result of converting previously blended component units from GASB basis of accounting to FASB basis of accounting.

D. Correction of Prior Year Errors

Primary Government

During the fiscal year, it was determined that capital lease assets and their related liabilities for the Department of Labor in fiscal year 2016 were overstated by \$6.7 million, resulting in a decrease of net position in the governmental activities, as reported. The beginning net position of the Department of Labor was decreased to reflect correction of these liabilities.

During the fiscal year, it was determined that capital assets were overstated at the Department of Administrative Services by \$10.9 million in fiscal year 2016, resulting in an overstatement of net position in the governmental activities. An adjustment was made in fiscal year 2017 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that construction in progress and buildings at the Department of Juvenile Justice were overstated by \$55.9 million in fiscal year 2016, resulting in an overstatement of net position in the governmental activities. An adjustment was made in fiscal year 2017 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that construction in progress, buildings, improvements other than buildings, and machinery and equipment at the Department of Corrections were overstated by a net \$6.4 million in fiscal year 2016, resulting in an overstatement of net position in the governmental activities. An adjustment was made in fiscal year 2017 to decrease net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that buildings and land and land improvements at the Department of Community Supervision were understated by a \$15.0 million in fiscal year 2016, resulting in an understatement of net position in the governmental activities. An adjustment was made in fiscal year 2017 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 Transportation was understated by \$12.1 million in fiscal year 2016, resulting in an understatement of net position in the governmental



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 2 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING (continued)

activities. An adjustment was made in fiscal year 2017 to increase net position to reflect correction to the prior year amounts.

During the fiscal year, it was determined that Georgia State Financing and Investment Commission reported bond premiums as revenue in prior years instead of amortizing the premiums over the life of the bonds. An adjustment was made in fiscal year 2017 to decrease net position by \$133.8 million.

During the fiscal year, it was determined that prior period adjustments needed to be made in fiscal year 2017 for unrecorded leased buildings belonging to Georgia Technology Authority as part of their North Atlanta Data Center. As a result, the leased buildings, net of depreciation, decreased net position by \$4.6 million in fiscal year 2017.

During the fiscal year, it was determined that prior period adjustments needed to be made in fiscal year 2017 for capital assets belonging to the Unemployment Compensation Fund. An increase of \$4.5 million was made to net position.

During the fiscal year, it was determined that net position was overstated within the Higher Education Fund, requiring a prior period adjustment to decrease net position by \$20.4 million. This adjustment was primarily related to accounts payable being understated; while advances, capital assets, capital leases, and accounts receivable were all overstated.

During the fiscal year, it was determined that prior period adjustments needed to be made in fiscal year 2017 for unrecorded compensated absences liabilities not previously recorded in fiscal year 2016. As a result of these adjustments, net position was decreased by \$.5 million for governmental activities.

Component Units

During the fiscal year, AU Medical Associates converted from a non-GAAP basis of accounting to GASB basis of accounting. AU Medical Associates restated beginning net position \$24.6 million, which consisted of an increase of \$19.5 million related to amounts due from the primary government, an increase of \$10.5 million related to net patient receivables, a decrease of \$5.3 million related to net OPEB obligation, and a decrease of \$.01 million related to various payables.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 3 - FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

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

	6/30/2016 As Previously Reported	Change in Financial Reporting Entity	Change in Accounting Principles	Correction of Prior Year Errors	6/30/2016 (Restated)
Governmental Funds and Activities					
Major Funds:					
General Fund	\$ 6,329,489	\$ —	\$ —	\$ —	\$ 6,329,489
General Obligation Bond Projects Fund	976,708	—	—	—	976,708
Nonmajor Funds:					
Special Revenue Funds	334,707	(43,854)	11,958	—	302,811
Debt Service Fund	114	—	—	—	114
Permanent Fund	14	—	—	—	14
Total Governmental Funds	7,641,032	(43,854)	11,958	—	7,609,136
Government-wide Adjustments					
Capital Assets, net of depreciation	20,530,269	—	—	(14,027)	20,516,242
Other Noncurrent Assets and Liabilities	(542,331)	(6,457)	—	(475)	(549,263)
Deferred Inflows/Outflows of Resources	2,048,469	—	—	—	2,048,469
Long-Term Liabilities Related to Debt	(10,680,092)	63,850	—	(172,510)	(10,788,752)
Pensions	(3,464,987)	—	—	—	(3,464,987)
Inclusion of Internal Service Funds in Governmental Activities	434,530	—	—	(4,591)	429,939
Total Governmental Funds and Activities	\$ 15,966,890	\$ 13,539	\$ 11,958	\$ (191,603)	\$ 15,800,784
Proprietary Funds and Business-type Activities					
Major Funds:					
Higher Education Fund	\$ 3,666,374	\$ (52,632)	\$ —	\$ (20,360)	\$ 3,593,382
State Health Benefit Plan	571,697	—	—	—	571,697
Unemployment Compensation Fund	1,418,029	—	—	4,521	1,422,550
Nonmajor Funds:					
Enterprise Funds	1,303	(22,181)	227,950	—	207,072
Internal Service Funds	287,120	8,642	1,078	(4,591)	292,249
Internal Service Funds Look-Back Adjustments Removal of Internal Service Funds Relating to Governmental Activities	(434,527)	—	—	4,588	(429,939)
Total Proprietary Funds and Business-type Activities	\$ 5,509,996	\$ (66,171)	\$ 229,028	\$ (15,842)	\$ 5,657,011
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	\$ 84,378,563	\$ —	\$ (361,949)	\$ —	\$ 84,016,614
Investment Trust Funds	6,981,801	—	—	—	6,981,801
Private Purpose Trust Funds	81,154	—	—	—	81,154
Total Fiduciary Funds	\$ 91,441,518	\$ —	\$ (361,949)	\$ —	\$ 91,079,569
Discretely Presented Component Units	\$ 9,073,416	\$ 169,043	\$ (34,910)	\$ 24,550	\$ 9,232,099
Total Reporting Entity	\$ 121,991,820	\$ 116,411	\$ (155,873)	\$ (182,895)	\$ 121,769,463



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 4 - NET POSITION AND FUND BALANCES

A. *Restricted Net Position*

Restricted net position at June 30, 2017 is as follows (amount in thousands):

	Governmental Activities	Business-Type Activities	Total Primary Government
Bond Covenants/Debt Service	\$ 270	\$ —	\$ 270
Capital Projects	—	22,934	22,934
Guaranteed Revenue Debt Common Reserve Fund	53,776		53,776
Higher Education	—	232,531	232,531
Lottery for Education	1,137,504	—	1,137,504
Motor Fuel Tax Funds	2,943,677	—	2,943,677
Other Postemployment Benefits	—	267,286	267,286
Permanent Trusts:			—
Nonexpendable	—	193,259	193,259
Expendable	—	564	564
Unemployment Compensation Benefits	—	1,820,348	1,820,348
Other Purposes	878,277	102,639	980,916
Total Restricted Net Position	\$ 5,013,504	\$ 2,639,561	\$ 7,653,065

The restricted net position "other purposes" of governmental activities includes \$91.7 million of net position restricted by enabling legislation.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017 are as follows (amount in thousands):

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance				
Not in Spendable Form	\$ 82,570	\$ —	\$ 15,289	\$ 97,859
Restricted Fund Balance				
Capital Projects	\$ —	\$ 1,022,205	\$ —	\$ 1,022,205
Guaranteed Revenue Debt				
Common Reserve Fund	53,776	—	—	53,776
Administrative Support for Health Care Programs	24,519	—	—	24,519
Emission Regulation	7,682	—	—	7,682
Endangered Species Monitoring	6,965	—	—	6,965
Healthcare Facility Regulation	20,737	—	—	20,737
Jasper Ocean Terminal Project	7,550	—	—	7,550
Lottery For Education	1,137,504	—	—	1,137,504
Low Income Medicaid	79,186	—	—	79,186
Roads and Bridges (Motor Fuel Tax Funds)	2,863,802	—	79,875	2,943,677
Right of Way Acquisition Operations	9,184	—	—	9,184
Unclaimed Property	84,835	—	—	84,835
Underground Storage Tank Trust Fund	47,832	—	—	47,832
Unissued Debt/Debt Service	140,551	—	271	140,822
Upgrade and Renovation of Highway Rest Areas and Welcome Centers	5,843	—	—	5,843
Utility Location, Planning and Coordination of Transportation Projects	11,089	—	—	11,089
Vaccines for Children	5,062	—	—	5,062
Victims of Violent Crime Emergency Fund	36,905	—	—	36,905
Health and Welfare				
Behavioral Health	2,345	—	—	2,345
Community Health	15,952	—	—	15,952
Human Services	3,650	—	—	3,650
Public Health	24,067	—	—	24,067
Transportation	25,065	—	192,125	217,190
Public Safety	7,955	—	—	7,955
Economic Development and Assistance	16,319	—	—	16,319
Culture and Recreation	12,654	—	—	12,654
Other	1,215	16,385	—	17,600
Total Restricted Fund Balance	\$ 4,652,244	\$ 1,038,590	\$ 272,271	\$ 5,963,105
Committed Fund Balance				
Administrative Services Fleet Management	\$ 6,760	\$ —	\$ —	\$ 6,760
Armory Facility Maintenance	260	—	—	260
Administrative Services State Purchasing	337	—	—	337
EMS Fees	98	—	—	98
Georgia Industries for the Blind	1,485	—	—	1,485
National Guard Transient Quarters	929	—	—	929
Veterans' Patient Care Activities	936	—	—	936
Other	116	—	—	116
Total Committed Fund Balance	\$ 10,921	\$ —	\$ —	\$ 10,921



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 4 - NET POSITION AND FUND BALANCES (continued)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Assigned Fund Balance				
General Government	\$ 105,324	\$ 40,607	\$ 5,061	\$ 150,992
Education	22,800	—	—	22,800
Health and Welfare	120,400	—	—	120,400
Transportation	16,444	—	28,432	44,876
Public Safety	90,372	—	—	90,372
Economic Development and Assistance	9,940	—	—	9,940
Culture and Recreation	42,994	—	—	42,994
Conservation	10,541	—	—	10,541
Total Assigned Fund Balance	\$ 418,815	\$ 40,607	\$ 33,493	\$ 492,915



NOTE 4 - NET POSITION AND FUND BALANCES (continued)

Deficit Net Position

The governmental activities of the State ended the year with an Unrestricted Net Position deficit of \$5.2 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, 2017 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 \$2.8 billion.

The business-type activities of the State ended the year with an unrestricted net position deficit of \$4.5 billion, which is primarily due to the recognition of net pension and other postemployment benefit (OPEB) liabilities. The University System of Georgia administers a single employer OPEB plan that is reported consistent with GASB 45. The accounting for this plan resulted in a \$2.6 billion negative impact to unrestricted net position. GASB 68, as related to pensions, required the State to recognize its proportional share of the net pension liability of the pension plans applicable to said standard. As of June 30, 2017, this liability resulted in a \$2.8 billion impact to unrestricted net position. The State Road and Tollway Authority's deficit of \$230.1 million in unrestricted net position of business-type activities is primarily due to pension liability, the Northwest Corridor project notes payable for the Design Build Finance and the Transportation Infrastructure Finance and Innovation Act loans, and indirect costs for toll facilities under construction or that just opened.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2017 are classified in the accompanying financial statements as follows (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Cash and Cash Equivalents	\$ 4,083,952	\$ 624,490	\$ 4,708,442
Pooled Investments with State Treasury	4,447,061	1,459,950	5,907,011
Investments	3,945,602	2,082,227	6,027,829
Restricted Assets			
Cash and Cash Equivalents	1,744,104	341,972	2,086,076
Pooled Investments with State Treasury	416,416	96,188	512,604
Investments	305,825	2,035,150	2,340,975
Fiduciary Funds			
Cash and Cash Equivalents	2,106,779	—	2,106,779
Pooled Investments with State Treasury	7,981,631	—	7,981,631
Investments	88,322,604	—	88,322,604
Restricted Pooled Investments with State Treasury	588	—	588
Total Cash and Investments	\$ 113,354,562	\$ 6,639,977	\$ 119,994,539

Cash on hand, deposits and investments as of June 30, 2017 consist of the following (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Cash on Hand	\$ 1,542	\$ 57	\$ 1,599
Deposits with Financial Institutions (Note 5A)	3,717,135	868,574	4,585,709
Investments (Note 5B)	95,153,895	4,113,386	99,267,281
Pooled Investments with State Treasury (Note 5D)	12,845,697	1,556,139	14,401,836
Unemployment Compensation Funds with U.S. Treasury	1,738,114	—	1,738,114
Assets Held at the Board of Regents on Behalf of Other Organizations	(101,821)	101,821	—
Total Cash and Investments	\$ 113,354,562	\$ 6,639,977	\$ 119,994,539

A. Deposits

Deposits include certificates of deposit and demand deposit accounts, including certain interest bearing bank deposit accounts, such as negotiated deposit agreements. The State Depository Board (Board) has authority to determine collateral requirements for State demand deposit accounts. Beginning in October 2008, in response to the U.S. financial crisis, the Board required all uninsured State deposits to be fully collateralized until September 2012. Its investment policy was amended to permit the Office of the State Treasurer (OST) to diversify its portfolio to include investments



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

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.

As of June 30, 2017, OST had \$565.0 million invested in negotiated deposit agreements, reported as bank deposits, of which \$419.9 million was insured or fully collateralized and \$145.1 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, 2017**

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, 2017, bank balances of the primary government and its component units’ deposits totaled \$4.5 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, \$537.2 million were exposed to custodial credit risk as follows (amount in thousands):

	Primary Government	Component Units	Total
Uninsured and uncollateralized	\$ 164,007	\$ 48,558	\$ 212,565
Uninsured and collateralized with securities held by the pledging financial institutions	14,077	12,636	26,713
Uninsured and collateralized with securities held by the pledging institutions' trust departments or agents, but not in the State's name	224,246	73,665	297,911
Total deposits exposed to custodial credit risk	\$ 402,330	\$ 134,859	\$ 537,189

The carrying amounts of deposits of certain higher education foundations which utilize FASB standards were \$270.0 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 University System of Georgia (USG). OST’s and USG’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.



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 36-83-2, 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 institutions 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 or be secured through the Georgia multibank pledging pool program (Secure Deposit Program) with "Required Collateral" as defined therein.
- 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



NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

of any negotiated investment deposit agreements described in (5) (c), below, that does not exceed 5% of total portfolio assets for any single issuer.

- 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) Georgia Fund 1 (GF1), Georgia Extended Asset Pool (GEAP), and any other funds comprising the local government investment pool in amounts necessary for prudent diversification, liquidity, and investment income.
- 12) 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.



NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, USG, 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 for Approved Agency Accounts to invest funds. As of June 30, 2017, no State organizations had received Board approval to establish investment accounts governed by the Investment Policy for Approved Agencies.

Board of Regents Investment Policies

The USG serves as fiscal agent for various units of the University System of Georgia and affiliated organizations. The USG pools the monies of these organizations with the USG’s monies for investment purposes. The investment pool is not registered with the SEC as an investment company. The fair value of the investments is determined daily. The pool does not issue shares. Each participant is allocated a pro rata share of each pooled investment fund balance at fair value along with a pro rata share of the pooled fund’s investment returns.

The USG 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 Board of Regents investment policy. All investments must be consistent with donor intent, Board of Regents policy, and applicable Federal and state laws.

Units of the University System of Georgia and their affiliated organizations may participate in the Pooled Investment Fund program. The overall character of the pooled fund portfolio should be one of above average quality, possessing at most an average degree of investment risk. The Board of Regents’ pooled investment fund options are described below:

1. Short-Term Fund

The Short-Term Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. Investments are in securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between daily and three years, and the fund will typically have an overall average duration of $\frac{3}{4}$ - 1 year. The overall character of the portfolio is of Agency quality, possessing a minimal degree of financial risk. The market value of the Short Term Fund at June 30, 2017 was \$509.5 million.

2. Legal Fund

The Legal Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund provides an opportunity for greater return and modest principal growth to the extent possible with the securities allowed under O.C.G.A. § 50-17-59 and 50-17-63. The average maturities of investments in this fund will typically range between five and ten years, with a maximum of thirty years for any individual investment. The overall character of the portfolio is Agency quality, possessing a minimal degree of financial risk. The market value of the Legal Fund at June 30, 2017 was \$11.9 million.



NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

3. Balanced Income Fund

The Balanced Income Fund is available to both University System of Georgia institutions and their affiliated organizations. The 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. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents. The equity allocation shall range between 30% and 40%, with a target of 35% of the total portfolio. The fixed income (bond) portion of the portfolio shall range 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 par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Balanced Income Fund at June 30, 2017 was \$18.2 million.

4. Total Return Fund

The Total Return Fund is available to both University System of Georgia institutions and their affiliated organizations. The 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. Permitted investments in the fund are domestic US equities, domestic investment grade fixed income, and cash equivalents. The equity allocation shall range between 60% and 70%, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall range between 30% and 40%, with a target of 35% of the total portfolio. Cash reserves and excess income are invested at all times in the highest quality par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Total Return Fund at June 30, 2017 was \$12.9 million.

5. Diversified Fund

The Diversified Fund is available to both University System of Georgia institutions and their affiliated organizations. The Fund is designed to provide improved return characteristics with reduced volatility through greater diversification. This pool is appropriate for investing longer term funds such as endowments. Permitted investments in the fund may include domestic, international and emerging market equities, domestic fixed income and global fixed income. The equity allocation shall range 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 range 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 par stable (A1, P1) institutional money market mutual funds, or other high quality short term instruments. The market value of the Diversified Fund at June 30, 2017 was \$178.1 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 liquid alternative investments. The equity allocation shall range 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 range 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 par stable (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, 2017 was \$53.9 million.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.
- 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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 5% of the eligible large retirement system's assets at any time.

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, 2017, are as follows (amount in thousands):

	Fair Value
Alternative Investments	\$ 803
Bond Securities	221,098
Certificates of Deposit	1,136
Closely Held Stock	38
Commodity Fund	32,696
Corporate Bonds	4,064
Diversifying Strategies	7,289
Equity Securities	1,313,478
Government and Agency Securities	140,541
Hedge Funds	697,988
High Yield Bonds	544
Investment Pools	37,134
Joint Ventures/Partnerships	164,327
Money Market Accounts	100,102
Mutual Funds	85,756
Natural Resources	143,293
Outside Managed Investments	5,455
Private Equities	259,862
Real Estate	154,511
Repurchase Agreements	6,184
Split-interest Investments	1,906
Total Investments	\$ 3,378,205

The component unit disclosures that follow do not include these balances, with the exception of the fair value measurement tables.



NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

USG'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 USG.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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				More than 10 Years
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	
Asset-Backed Securities	\$ 10,973	\$ 840	\$ 2,439	\$ 7,694	\$ —	\$ —
Commercial Paper	74,907	74,907	—	—	—	—
Corporate Debt						
Domestic	31,349	1,552	9,046	19,777	959	15
Money Market Mutual Funds	35,003	35,003	—	—	—	—
Mortgage-Backed Securities						
Commercial	4,473	33	537	3,903	—	—
Municipal Bonds	1,092	5	66	436	115	470
Mutual Funds - Debt*	84,519	81	20	4,485	42,360	37,573
Repurchase Agreements	2,925,002	1,915,002	1,010,000	—	—	—
Sovereign Credit	5,020	5,020	—	—	—	—
Supranational Obligations	348,877	—	295,753	53,124	—	—
U.S. Agency Obligations	2,584,052	525,359	1,035,937	904,437	44,328	73,991
U.S. Treasury Obligations	164,751	41,187	64,305	55,742	3,517	—
Total Debt Securities	6,270,018	\$ 2,598,989	\$ 2,418,103	\$ 1,049,598	\$ 91,279	\$ 112,049
Equity Securities - Domestic	144,541					
Equity Securities - International	1,012					
Mutual Funds - Equity	110,484					
Real Estate Held for Investments	6,316					
Real Estate Investment Trust	898					
Total Investments	\$ 6,533,269					

*Maturity Period is weighted average maturity.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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):

	Total Fair Value	Effective Duration (Years)
Corporate and Other Bonds	\$ 9,639,662	4
International Obligations:		
Government	399,660	0.3
Corporate	1,008,350	1.8
U.S. Treasury Obligations	13,759,563	5.6
Total Debt Securities	<u>24,807,235</u>	
Common Stock		
Domestic	45,181,944	
International	15,084,660	
Mutual Funds - Equity	1,421,289	
Private Equity	134,213	
Total Investments	<u>\$ 86,629,341</u>	



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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						
Domestic	\$ 22,130	\$ —	\$ —	\$ 8,237	\$ 5,802	\$ 8,091
International	4,048	—	—	100	1,368	2,580
Corporate Debt						
Domestic	157,941	1,564	10,830	50,122	59,540	35,885
International	15,673	75	1,005	7,131	6,048	1,414
Exchange Traded Funds	15,289	—	—	6,163	9,126	—
Guaranteed Investment Contracts	446	—	—	—	—	446
International Government Obligations	823	—	—	236	25	562
Money Market Mutual Funds	75,942	71,643	—	—	—	4,299
Mortgage-backed Securities						
Commercial	138,815	—	—	6,095	2,724	129,997
Municipal Bonds	1,610	—	91	207	—	1,311
Mutual Funds - Debt*	39,054	—	—	9,843	26,611	2,601
U.S. Agency Obligations	50,809	—	—	2,720	1,189	46,900
U.S. Treasury Obligations	71,966	—	1,490	42,957	20,260	7,259
Total Debt Securities	594,546	\$ 73,282	\$ 13,416	\$ 133,811	\$ 132,693	\$ 241,345
Equity Securities						
Domestic	687,378					
International	114,045					
Mutual Funds - Equity	550,351					
Real Estate Investment Trust	43,464					
Short-term Investment	1,501					
Total Investments	\$ 1,991,285					

*Maturity period is weighted average maturity.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

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	\$ 135	\$ —	\$ —	\$ 4	\$ 73	\$ 57
Bond Securities	18,870	—	—	5,175	907	12,788
Certificates of Deposit	6,101	6,101	—	—	—	—
Corporate Debt						
Domestic	86,036	791	17,592	57,155	9,282	1,215
Insurance Contracts	14,385	—	—	—	—	14,385
International Government						
Obligations	13,052	—	8,746	3,134	881	292
Investment Agreements	22,662	—	—	2,809	5,014	14,839
Money Market Mutual Funds	947	947	—	—	—	—
Mortgage-Backed Securities						
Commercial	89,442	—	—	2,728	3,667	83,047
Municipal Bonds	13,990	—	1,070	12,498	125	297
Mutual Funds - Debt* **	12,231	—	—	12,208	—	23
Non-purpose investments	31,555	—	31,555	—	—	—
Repurchase Agreements	41,166	35,401	—	—	—	5,765
U.S. Agency Obligations	113,723	82	6,363	83,964	14,615	8,700
U.S. Treasury Obligations	244,234	5,958	15,183	117,821	65,185	40,089
Total Debt Securities	708,529	\$ 49,280	\$ 80,509	\$ 297,496	\$ 99,749	\$ 181,497
Equity Securities						
Domestic	21,646					
International	7,349					
Exchange Traded Funds	2,899					
Joint Venture	250					
Managed Futures/Hedge Funds	7,529					
Mutual Funds - Equity	22,909					
USG's Investment Pool - Not LGIP	65,011					
Other Investments	879					
Total Investments	\$ 837,001					

* Maturity Period is weighted average maturity.

** \$1,953 not included in debt securities total; not subject to Interest Rate Risk



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

	Total Fair Value	Credit Rating							Short Term Investments		Not Rated
		AAA	AA	A	BBB	BB	B	A-1+	A-1		
Asset-Backed Securities	\$ 10,973	\$ 10,973	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Commercial Paper	74,907	—	—	—	—	—	—	—	74,907	—	
Corporate Debt											
Domestic	31,349	502	4,355	15,019	8,302	—	—	—	3,160	11	
Money Market Mutual Funds	35,003	3,636	59	—	—	—	—	—	—	31,308	
Mortgage-Backed Securities											
Commercial	4,473	4,473	—	—	—	—	—	—	—	—	
Municipal Bonds	1,092	390	360	317	—	25	—	—	—	—	
Mutual Funds - Debt	84,519	296	544	31	1,090	12	12	—	—	82,534	
Repurchase Agreements	2,906,837	139,904	671,384	623,488	1,307,348	29,729	—	18,989	115,995	—	
Sovereign Credit	5,020	—	—	5,020	—	—	—	—	—	—	
Supranational Obligations	348,877	348,877	—	—	—	—	—	—	—	—	
U. S. Agency Obligations	2,338,323	15,681	1,869,071	—	—	—	—	—	—	453,571	
Total Credit Risk-Investments	5,841,373	\$ 524,732	\$ 2,545,773	\$ 643,875	\$ 1,316,740	\$ 29,766	\$ 12	\$ 18,989	\$ 194,062	\$ 567,424	
U.S. Treasury Obligations	164,751										
U.S. Agency Obligations											
Explicitly Guaranteed	245,729										
Repurchase Agreements Backed by:											
U. S. Agency Obligations											
Explicitly Guaranteed	18,165										
Total Debt Securities	\$ 6,270,018										



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

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	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	Not Rated
Asset-backed Securities												
Domestic	\$ 22,130	\$ 15,589	\$ 429	\$ 217	\$ 2,018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,877
International	4,048	3,299	249	—	—	—	—	—	—	—	—	500
Corporate Debt												
Domestic	9,797,603	920,230	2,319,928	6,046,583	502,215	5,442	—	—	—	—	—	3,206
International	1,024,023	842	1,080	1,013,635	7,588	878	—	—	—	—	—	—
Exchange Traded Funds	15,289	—	—	—	—	—	—	—	—	—	—	15,289
Guaranteed Investment Contracts	446	—	—	—	—	—	—	—	—	—	—	446
International Government Obligations	400,483	—	236	399,861	183	204	—	—	—	—	—	—
Money Market Mutual Funds	75,942	73	2,043	—	—	—	—	—	—	—	—	73,825
Mortgage-backed Securities	136,642	61,011	18,343	9,645	6,234	4,413	2,496	2,812	810	587	839	29,451
Municipal Bonds	15,973	—	1,381	113	575	—	—	—	—	—	—	13,903
Mutual Funds - Debt	26,864	—	—	—	—	—	—	—	—	—	—	26,864
U. S. Agency Obligations	43,075	29	2,249	162	238	—	—	—	—	—	—	40,397
Total Credit Risk - Investments	11,562,518	\$1,001,073	\$2,345,938	\$7,470,216	\$519,051	\$10,937	\$2,496	\$2,812	\$810	\$587	\$839	\$207,758
U. S. Agency Obligations												
Explicitly Guaranteed	7,735											
U. S. Treasury Obligations	13,831,529											
	<u>\$25,401,782</u>											



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

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	\$ 135	\$ 5	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ 123
Bond Securities	18,870	17,282	1,588	—	—	—	—	—
Certificates of Deposit	8,785	5,595	—	—	—	—	—	3,190
Corporate Debt								
Domestic	86,036	6,108	4,952	43,989	27,688	—	—	3,299
Insurance Contracts	14,385	—	—	—	—	—	—	14,385
International Government								
Obligations	13,052	878	160	1,824	1,757	210	—	8,223
Investment Agreements	22,662	5,268	7,422	9,972	—	—	—	—
Money Market Mutual Funds	947	—	—	—	—	—	—	947
Mortgage-Backed Securities								
Commercial	89,442	9,915	78,360	665	223	—	121	158
Municipal Bonds	11,306	130	6,184	3,949	1,018	—	—	25
Mutual Funds - Debt	14,184	—	—	—	—	—	—	14,184
Non-purpose investments	31,555	—	—	—	—	—	—	31,555
Repurchase Agreements	41,166	5,765	2,157	—	—	—	—	33,244
U. S. Agency Obligations	111,444	10,147	100,260	—	—	—	—	1,037
Total Credit Risk - Investments	463,969	\$ 61,093	\$ 201,090	\$ 60,399	\$ 30,686	\$ 210	\$ 121	\$ 110,370
U.S. Treasury Obligations	244,234							
U.S. Agency Obligations								
Explicitly Guaranteed	2,279							
Total Debt Securities	\$ 710,482							

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, 2017

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, 2017, \$56.73 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, 2017, approximately 28%, 11%, 8%, 7%, and 7% of the University System's BTA and Retiree Health Benefit Fiduciary Fund investments were investments in Local Government Investment Pool (Ga Fund 1), Government National Mortgage Association notes, Federal Home Loan Mortgage Corporation notes, Federal National Mortgage Association Pool, and Federal National Mortgage Association notes, respectively.

At June 30, 2017, approximately 28.34%, 24.86%, 11.99%, 9.42%, and 6.17%, 5.89%, and 5.69% of the Early Retirement Plan Fiduciary Fund investments were investments in IShares Core Total U.S. Aggregate Bond ETF, Western



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Asset Core Bond Portfolio, Vanguard Institutional Index Fund, DFA Short-Term Extended Quality, Federated Money Market Obligations Treasury, iShares Russell 1000 Growth ETF and iShares Russell 1000 Value ETF, respectively.

At June 30, 2017, approximately 19%, 17%, 6%, 5%, and 5% of the Deferred Compensation Fiduciary Fund investments were investments in Fidelity Contrafund Fund, Fidelity Balanced Fund, TIAA traditional annuity, TIAA Real Estate Fund, and Fidelity Freedom 2020 Fund, respectively.

At June 30, 2017, approximately 62.2% 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, 2017, 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, 2017, 14.4% 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 2 are valued using prices quoted for similar instruments in active markets. 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 used to value securities based on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.
- Investments classified in Level 3 includes real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investment in this category have been estimated using the net asset value of the University System of Georgia's (USG) ownership interest in partners' capital. These investments are less liquid and, generally, cannot be redeemed with the funds through normal redemption procedures. Distributions from this fund will be received as the underlying investments of the fund are liquidated.

Primary Government

The following table provides information about the primary government's investments in regards to GASB 72. (amount in thousands):

Investments by fair value levels	Total	Level 1	Level 2	Level 3	Net Asset Value
Asset-backed Securities	\$ 10,973	\$ —	\$ 10,973	\$ —	\$ —
Corporate Debt	31,334	11	31,323	—	—
Equities	197,929	197,541	210	—	178
Money Market Mutual Funds	8,397	7,813	—	—	584
Mortgage Backed Securities	4,473	—	4,473	—	—
Municipal Bonds	1,026	1,026	—	—	—
Mutual Funds - Debt	84,519	84,519	—	—	—
Real Estate Investments	7,214	898	—	6,316	—
Sovereign Credit	5,020	—	—	5,020	—
Supranational Obligations	348,877	—	348,877	—	—
U.S. Agencies Obligations	2,584,052	61,664	2,522,388	—	—
U.S. Treasuries Obligations	164,729	164,385	344	—	—
	3,448,543	\$ 517,857	\$ 2,918,588	\$ 11,336	\$ 762
Reconciling Items:					
Department of Revenue Unclaimed Properties	84,817				
Repurchase Agreements	2,925,002				
Commercial Paper	74,907				
	\$ 6,533,269				



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Fiduciary Funds

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

Investments by fair value levels	Total	Level 1	Level 2	Level 3	Net Asset Value
Asset-backed Securities	\$ 26,178	\$ —	\$ 23,895	\$ 2,283	\$ —
Bond Securities	13,218	13,218	—	—	—
Commingled Funds	1,415,688	81,919	1,333,769	—	—
Corporate Debt	10,629,038	—	10,622,155	6,883	—
Equity Securities	61,070,117	60,920,976	148,748	393	—
Exchange Traded Funds	15,878	6,360	9,518	—	—
Guaranteed Investment Contracts	446	—	—	446	—
Mortgage Backed Securities	138,815	—	136,230	2,585	—
Municipal Bonds	1,610	—	1,610	—	—
Mutual Funds	580,608	264,552	288,866	—	27,190
Real Estate Investments	43,464	43,256	208	—	—
U.S. Agencies	50,809	—	47,037	3,772	—
Private Equities	134,213	—	—	—	134,213
U.S. Treasuries	13,831,530	13,759,563	67,183	4,784	—
	\$ 88,620,626	\$ 75,096,829	\$ 13,341,248	\$ 21,146	\$ 161,403



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Component Units

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

Investments by fair value levels	Total	Level 1	Level 2	Level 3	Net Asset Value
Asset-backed Securities	\$ 135	\$ —	\$ 135	\$ —	\$ —
Bond Securities	239,991	134,248	56,906	—	48,837
Certificate of Deposits	7,237	6,731	—	—	506
Commodity Funds	32,695	26,361	6,334	—	—
Corporate Debt	90,101	24,876	65,225	—	—
Diversifying Strategies	7,289	—	—	—	7,289
Equity Securities	1,361,473	1,247,619	3,568	—	110,286
Exchange Traded Funds	2,899	2,899	—	—	—
International Government					
Obligations	13,050	13,050	—	—	—
Hedge Funds	697,988	28,657	—	—	669,331
Insurance Contracts	14,385	—	—	—	14,385
Investment Agreements	22,662	—	—	22,662	—
Joint Venture/Partnerships	164,577	309	250	109,088	54,930
Money Market Mutual Funds	101,048	98,971	2,077	—	—
Municipal Obligations	13,990	2,684	11,306	—	—
Mutual Funds	99,917	23,874	63,835	12,208	—
Mortgage Backed Securities	89,442	89,442	—	—	—
Natural Resources	143,293	33,755	—	16,741	92,797
Non Purpose Investments	31,555	—	31,555	—	—
Private Equities	259,862	—	—	—	259,862
Real Estate Investments	154,511	25,269	8,762	61,225	59,255
Repurchase Agreement	47,351	16,776	30,575	—	—
U.S. Agencies	127,296	116,119	11,177	—	—
U.S. Treasuries	371,202	116,822	254,380	—	—
Other	19,410	3,088	7,256	1,244	7,822
	4,113,359	\$ 2,011,550	\$ 553,341	\$ 223,168	\$ 1,325,300

Reconciling Items:

USG/Other Investment Pool	27
	\$ 4,113,386



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

As of June 30, 2017, 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, 2017						
Currency	Employees' Retirement System of Georgia			Teachers Retirement System of Georgia		
	Equities	Fixed Income	Total	Equities	Fixed Income	Total
Australian Dollar	\$ 33,088	\$ —	\$ 33,088	\$ 144,531	\$ —	\$ 144,531
Brazilian Real	18,200	—	18,200	80,222	—	80,222
British Pound	72,752	—	72,752	316,008	—	316,008
Canadian Dollar	9,989	—	9,989	43,339	—	43,339
Czech Krone	456	—	456	2,004	—	2,004
Danish Krone	18,472	—	18,472	80,060	—	80,060
Euro	114,340	—	114,340	502,805	—	502,805
Hong Kong Dollar	39,625	—	39,625	175,524	—	175,524
Indonesian Rupiah	43,935	—	43,935	190,163	—	190,163
Japanese Yen	6,128	—	6,128	27,589	—	27,589
Malaysian Ringgit	113,116	—	113,116	502,753	—	502,753
Mexican Peso	9,874	—	9,874	43,701	—	43,701
New Taiwan Dollar	7,258	—	7,258	31,943	—	31,943
Norwegian Krone	48,498	—	48,498	213,336	—	213,336
Philippine Peso	5,483	—	5,483	24,007	—	24,007
Polish Zloty	3,839	—	3,839	17,268	—	17,268
Singapore Dollar	20,872	—	20,872	88,682	—	88,682
South African Rand	37,877	—	37,877	164,847	—	164,847
South Korean Won	82,203	—	82,203	354,771	—	354,771
Swedish Krona	35,036	—	35,036	154,608	—	154,608
Swiss Franc	17,249	—	17,249	79,145	—	79,145
Thailand Baht	19,276	—	19,276	84,876	—	84,876
Total Holdings subject to Foreign Currency Risk	757,566	—	757,566	3,322,182	—	3,322,182
Investment Securities payable in U.S. Dollars	2,021,952	269,524	2,291,476	8,981,810	1,138,486	10,120,296
Total International Investment Securities - at Fair Value	\$ 2,779,518	\$ 269,524	\$ 3,049,042	\$ 12,303,992	\$ 1,138,486	\$ 13,442,478



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Other Pension and Employee Benefit Trust Funds

Currency	Equities	Fixed Income	Total
British Pound	\$ 56,120	\$ —	\$ 56,120
Canadian Dollar	3,317	—	3,317
Total Holdings subject to Foreign Currency Risk	59,437	—	59,437
Investment Securities payable in U.S. Dollars	22,747	15,234	37,981
Total International Investment Securities - at Fair Value	\$ 82,184	\$ 15,234	\$ 97,418

D. Pooled Investments with State Treasury

The state operates three local government investment pools managed by OST and is comprised of Georgia Fund 1, its primary liquidity portfolio, the Georgia Extended Asset Pool, and Georgia Fund 1 Plus. Georgia Fund 1 Plus was established as an additional investment option in fiscal year 2017. These pools invest State funds and funds of other governmental entities in the State. The three 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 for additional information on the Georgia Fund 1, the Georgia Extended Asset Pool, and the Georgia Fund 1 Plus 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 \$20.0 billion at June 30, 2017, and the collateral value was equal to 104.8%. 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.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, 2017, the Department held surety bonds in the amount of \$55.8 million, and cash bonds in the amount of \$15.0 million. These bonds are not recorded on the Statement of Net Position.

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, 2017, securities valued at \$192.4 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 \$2.2 billion for construction performance to ensure proper completion and complete performance of construction contracts, and \$2.2 billion for construction payment to ensure that payments are made by the general contractor to all subcontractors. These bonds are not recorded on the Statement of Net Position.

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 \$29.8 million for construction performance to ensure proper completion and complete performance of construction contracts. These bonds are not recorded on the Statement of Net Position.

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, 2017, the Department held surety bonds in the amount of \$67.1 million, and cash bonds in the amount of \$1.8 million. These bonds are not recorded on the Statement of Net Position.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS

Derivative Instruments are utilized by some of the higher education foundations (reported 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*.

Component Units – GASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2017 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 06/30/17		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
AU Health System Inc.					
2014A&B - Interest Rate Swap	Investment Revenue	\$ 10,072	Debt	\$ (20,813)	\$ 114,370
University of Georgia Athletic					
2005B - Interest Rate Swap	Deferred outflow of resources	(1,869)	Debt	(3,961)	22,415
				<u>\$ (24,774)</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). The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2016, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2016 financial statements for higher education foundations reported as component units under GASB are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 06/30/16		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
AU Health System Inc.					
2014A&B - Interest Rate Swap	Investment Revenue	\$ (22,158)	Debt	\$ (30,885)	\$ 118,190
University of Georgia Athletic					
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>\$ (40,355)</u>	

Interest Rate Swap Derivatives

AU Health System, Inc.

AU Medical Center, Inc. (AUMC) entered into a variable-to-fixed interest rate swap (the Swap) to convert AUMC’s variable interest rate concurrent with the 2008 bond issuance to a synthetic fixed rate of 3.302%.

The Swap matures on July 1, 2037. The notional amount of the Swap at June 30, 2017 and 2016 was \$114.4 and \$118.2 million, respectively. The notional amount decreased from the initial notional amount of \$135.0 million. The notional value of the Swap declines in conjunction with payments of bond principal such that the outstanding balance of the



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

bonds approximate the notional amount of the Swap at all times. Under the Swap, AUMC pays the counterparty interest at a fixed rate of 3.302% and receives interest payments at a variable rate computed as 68% of LIBOR.

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 AUMC or the Swap counterparty. At June 30, 2017 and 2016, the fair value of the Swap represented a liability to AUMC in the amount of \$20.8 and \$30.9 million, respectively. AUMC 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, 2017 and 2016, AUMC had \$1.8 and \$11.4 million posted cash collateral with the Swap counterparty, respectively.

University of Georgia Athletic Association, Inc. (UGAA)

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 its experience. For example, in valuing over-the-counter 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 it uses 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, the 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 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.

The interest rate swap agreements on the 2003 and 2005A Series bonds were settled on October 12, 2016 with the redemption of the 2003 series and the 2005A series bonds.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

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 the UGAA's making or receiving a termination payment.

As of June 30, 2017, the fair value of the interest rate swap agreements was \$4.0 million, indicating the amount that UGAA would be required to pay to the Counterparties to terminate the swap agreements.

Swap Payments and Associated Debt – As of June 30, 2017, 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	Total
	Principal	Interest	Swaps, Net	
Year ending:				
2018	\$ 850.0	\$ 191.9	\$ 559.2	\$ 1,601.1
2019	880.0	184.1	536.3	1,600.4
2020	910.0	176.0	512.8	1,598.8
2021	945.0	167.6	488.2	1,600.8
2022	980.0	158.9	462.9	1,601.8
2023-2027	5,415.0	653.1	1,902.7	7,970.8
2028-2032	6,430.0	385.6	1,123.4	7,939.0
2033-2037	6,005.0	82.4	240.2	6,327.6
Total	\$ 22,415.0	\$ 1,999.6	\$ 5,825.7	\$ 30,240.3

Credit Risk - As of June 30, 2017, 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 \$5.8 million less the cumulative fair value of \$3.7 million.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

As of June 30, 2017, the Counterparty was rated as follows by Moody's and S&P:

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

Basis Risk - The swaps exposes 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 2017 financial statements for higher education foundations reported as component units reporting under FASB provisions are as follows (amount in thousands):

(Table on next page)



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

	Change in Fair Value		Fair Value at 06/30/17		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State					
University Foundation, Inc.	Investment Revenue	\$ 1,283	Debt	\$ (2,180)	\$ 24,830
	Investment Revenue	4,218	Debt	(7,463)	69,820
Georgia Gwinnett College Foundation					
	Investment Revenue	2,141	Debt	(3,741)	22,360
Georgia State University Foundation, Inc.					
	Investment Revenue	4,957	Debt	(10,881)	49,615
Kennesaw State University					
Athletic Association	Investment Revenue	26	Asset	5	1,900
University of Georgia Foundation					
	Investment Revenue	796	Debt	(1,879)	5,237
	Investment Revenue	970		(628)	11,655
VSU Auxillary Services					
Real Estate Foundation	Investment Revenue	640	Debt	(6,311)	27,820
				<u>\$ (30,898)</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).

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2016, and the changes in fair value for the year then ended as reported in the 2016 financial statements for higher education foundations reported as component units under FASB are as follows (amount in thousands):



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

	Change in Fair Value		Fair Value at 06/30/16		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
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
Georgia Gwinnett College Foundation					
	Investment Revenue	(2,675)	Debt	(5,582)	23,250
	Investment Revenue	(16)	Debt	(16)	2,467
Georgia State University Foundation, Inc.					
	Investment Revenue	(1,104)	Debt	(15,838)	50,685
*Kennesaw State University Athletic Association, Inc.					
	Investment Revenue	(22)	Debt	(22)	1,900
University of Georgia Foundation					
	Investment Revenue	(686)	Debt	(2,675)	5,365
	Investment Revenue	(1,111)	Debt	(1,599)	12,000
*VSU Auxiliary Services Real Estate Foundation					
	Investment Revenue	(162)	Debt	(6,951)	28,075
*Restated					
				<u>\$ (47,850)</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, unaccepted 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 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 \$2.1 million at June 30, 2017.

Georgia Gwinnett College Foundation (GGCF)

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 one-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 ten-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 one-month LIBOR BBA index plus 2.25%. The changes in forecasted levels of USD one-month



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

LIBOR BA index for the year resulted in reporting a liability for the fair value of the future net payments forecasted under the contracted. Parking's swap matures in June 2032, and Collins Industrial matures in June 2017.

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 Bank, 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 (%).

This amortization is based on a final aggregate bond issuance of \$57.1 million. However, the total issuance amounted to \$54.7 million.

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 year ended June 30, 2017, the value of the interest rate swap agreement liability decreased by \$5.0 million. During the three months ended June 30, 2016, the value of the interest rate swap agreement liability increased by \$1.1 million.

GSUF 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. As of June 30, 2017 and 2016, the value was a liability of \$10.9 million and \$15.8 million, respectively. As of June 30, 2017 and 2016, the interest rate swap has a current notional amount of \$49.6 and \$50.7 million, respectively, and matures in June 2035.

Kennesaw State University Athletic Association Inc. (Association)

The Association entered into an interest rate swap agreement on October 5, 2015, with an original notional principal amount of \$1.9 million. The interest rate swap has a fixed rate of 1.26%, a variable rate of the one-month LIBOR rate and a maturity date of June 17, 2020. An asset (liability) from the interest rate swap transaction of \$4,615 and \$ (21,821) was recorded as of June 30, 2017 and 2016, respectively. This amount was recorded based on calculated mathematical approximations of market values using certain assumptions regarding past, present, and future market conditions. The asset or liability would only be realized upon termination of the swap agreement prior to the maturity date. As there are no differences between the critical terms of the interest rate swap and the hedged debt obligation, the Association assumes no ineffectiveness in the hedging relationship.

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, 2017 and 2016, the total notional amount of the swap was \$5.2 and \$5.4 million, respectively. As of June 30, 2017 and 2016, the fair value of the interest rate swap was a liability of \$1.9 and \$2.7 million, respectively. UGAF recorded an unrealized gain on such swap of \$0.8 million and an unrealized loss of \$0.7 million for the years ended June 30, 2017 and 2016, 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, 2017 and



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

2016, the total notional amount of the swap was \$11.7 and \$12.0 million, respectively. As of June 30, 2017 and 2016, the fair value of this interest rate swap was a liability of \$0.6 and \$1.6 million, respectively. UGAF recorded an unrealized gain on such swap of \$1.0 and an unrealized loss of \$1.2 million for the years ended June 30, 2017 and 2016, respectively.

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

The 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, 2016, the total notional amount of the swap was \$27.8 million. As of December 31, 2016, the fair value of this interest rate swap was a liability of \$6.3 million in the accompanying consolidated statement of financial position. The Foundation recorded a gain on the swap of \$0.6 million for the year ended December 31, 2016.

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 the Foundation 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 \$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 Foundation 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 Foundation 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 Foundation 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.



NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

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 Foundation 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.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017, consisted of the following (amount in thousands):

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities							
General Fund	\$ 4,712,449	\$ —	\$ 531,928	\$ 1,567,264	\$ 6,811,641	\$ (1,429,995)	\$ 5,381,646
Nonmajor Governmental Funds	—	—	22,009	—	22,009	—	22,009
Total - Governmental Funds	4,712,449	—	553,937	1,567,264	6,833,650	(1,429,995)	5,403,655
Government-wide adjustments:							
Nonmajor Governmental Funds	—	—	—	—	—	—	—
Internal Service Funds	—	—	89,089	757	89,846	(418)	89,428
Other	\$ —	\$ —	\$ 63,625	\$ —	\$ 63,625	\$ —	\$ 63,625
Total - Governmental Activities	\$ 4,712,449	\$ —	\$ 706,651	\$ 1,568,021	\$ 6,987,121	\$ (1,430,413)	\$ 5,556,708
Business-type Activities							
Higher Education Fund	\$ —	\$ 43,519	\$ 334,147	\$ 91,164	\$ 468,830	\$ (39,001)	\$ 429,829
State Health Benefit Plan	—	—	61,486	—	61,486	(3,919)	57,567
Unemployment Compensation Fund	—	—	163,498	73	163,571	(19,264)	144,307
Georgia Higher Education Facilities Authority	—	—	469	—	469	—	469
State Road and Tollway Authority	—	—	17,897	—	17,897	(443)	17,454
Internal Service Funds	\$ —	\$ —	\$ 330	\$ —	\$ 330	\$ (114)	\$ 216
Total - Business-type Activities	\$ —	\$ 43,519	\$ 577,827	\$ 91,237	\$ 712,583	\$ (62,741)	\$ 649,842
Component Units							
Unrestricted:							
Georgia Environmental Finance Authority	\$ —	\$ 1,359,036	\$ 6,064	\$ 922	\$ 1,366,022	\$ —	\$ 1,366,022
Georgia Geo. L. Smith II							
World Congress Center Authority	2,515	—	8,645	—	11,160	—	11,160
Georgia Housing and Finance Authority	—	660,458	684	—	661,142	(4,736)	656,406
Georgia Lottery Corporation	—	—	173,412	—	173,412	(4,607)	168,805
Georgia Ports Authority	—	440	51,629	—	52,069	(3,004)	49,065
Georgia Tech Foundation, Incorporated	—	—	256,773	—	256,773	(8,619)	248,154
Nonmajor Component Units	803	253,102	2,791,463	17,289	3,062,657	(130,832)	2,931,825
Total - Unrestricted	3,318	2,273,036	3,288,670	18,211	5,583,235	(151,798)	5,431,437
Restricted:							
Georgia Geo. L. Smith II							
World Congress Center Authority	—	—	131,767	—	131,767	—	131,767
Georgia Housing and Finance Authority	—	1,019,381	9,216	—	1,028,597	(4,500)	1,024,097
Total - Restricted	—	1,019,381	140,983	—	1,160,364	(4,500)	1,155,864
Total - Component Units	\$ 3,318	\$ 3,292,417	\$ 3,429,653	\$ 18,211	\$ 6,743,599	\$ (156,298)	\$ 6,587,301



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

A. Due To/From Other Funds

Due To/From Other Funds at June 30, 2017, consist of the following (amount in thousands):

	Due From Other Funds						Total Due To Other Funds
	General Fund	Nonmajor Governmental Fund	Higher Education Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	
Due To Other Funds							
General Fund	\$ —	\$ 26,766	\$ —	\$ —	\$ 486,613	\$ —	\$ 513,379
General Obligation Bond Projects Fund	—	—	24,197	—	—	—	24,197
Nonmajor Governmental Funds	10,633	—	—	14	1	—	10,648
Higher Education Fund	—	—	—	—	187,551	—	187,551
State Employees' Health Benefit Plan	—	—	—	—	—	148,900	148,900
Nonmajor Enterprise Funds	—	20,518	—	126	828	—	21,472
Internal Service Funds	481	11	—	2,016	14	—	2,522
Fiduciary Funds	—	—	—	72	9	555	636
Total Due From Other Funds	\$ 11,114	\$ 47,295	\$ 24,197	\$ 2,228	\$ 675,016	\$ 149,455	\$ 909,305

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, 2017

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (continued)

B. Interfund Transfers

Interfund transfers at June 30, 2017, consist of the following (amount in thousands):

	Transfers In							Total Transfers Out
	Governmental Funds			Proprietary Funds			Fiduciary Funds	
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Nonmajor Enterprise Funds	Internal Service Funds		
Transfers Out:								
General Fund	\$ —	\$ 19,492	\$ 1,494,111	\$ 2,503,055	\$ 70,611	\$ 5,970	\$ 2,286	\$4,095,525
General Obligation Bond Projects Fund	15,700	—	—	—	—	—	—	15,700
Nonmajor Governmental Funds	54,471	—	25	—	—	—	—	54,496
Higher Education Fund	2,993	—	—	—	—	5,266	—	8,259
Nonmajor Enterprise Funds	—	—	—	—	—	159	—	159
Internal Service Funds	2,657	—	4,770	—	—	—	—	7,427
Total Transfers In	\$ 75,821	\$ 19,492	\$ 1,498,906	\$ 2,503,055	\$ 70,611	\$ 11,395	\$ 2,286	\$4,181,566

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, 2017

NOTE 9 - CAPITAL ASSETS

A. Primary Government

Capital Asset activity for the fiscal year-ended June 30, 2017, was as follows (amount in thousands):

	Balance 7/1/2016 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 3,886,291	\$ 175,817	\$ (12,216)	\$ 4,049,892
Works of Art and Collections	1,391	—	—	1,391
Intangibles - Other Than Software	119,583	2,653	—	122,236
Construction in Progress	3,164,042	2,785,073	(2,405,994)	3,543,121
Total Capital Assets, Not Being Depreciated	7,171,307	2,963,543	(2,418,210)	7,716,640
Capital Assets Being Depreciated:				
Infrastructure	28,246,266	1,318,742	(1,210)	29,563,798
Buildings and Building Improvements	3,929,449	221,508	(50,881)	4,100,076
Improvements Other Than Buildings	130,215	11,122	(30)	141,307
Intangibles - Other than Software	942	335	—	1,277
Machinery and Equipment	992,606	114,713	(54,746)	1,052,573
Software	304,326	189,633	(266)	493,693
Total Capital Assets Being Depreciated	33,603,804	1,856,053	(107,133)	35,352,724
Less Accumulated Depreciation For:				
Infrastructure	17,026,374	814,008	(17)	17,840,365
Buildings and Building Improvements	1,922,526	125,507	(21,831)	2,026,202
Improvements Other Than Buildings	55,563	2,756	(30)	58,289
Intangibles - Other Than Software	637	152	—	789
Machinery and Equipment	775,262	70,019	(51,128)	794,153
Software	232,308	17,303	(163)	249,448
Total Accumulated Depreciation	20,012,670	1,029,745	(73,169)	20,969,246
Total Capital Assets, Being Depreciated, Net	13,591,134	826,308	(33,964)	14,383,478
Governmental Activities Capital Assets, Net	\$ 20,762,441	\$ 3,789,851	\$ (2,452,174)	\$ 22,100,118



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 9 - CAPITAL ASSETS (continued)

	Balance 7/1/2016 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2017
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 461,148	\$ 14,050	\$ (6,496)	\$ 468,702
Works of Art and Collections	49,225	2,223	—	51,448
Construction in Progress	255,967	221,240	(216,507)	260,700
Total Capital Assets, Not Being Depreciated	766,340	237,513	(223,003)	780,850
Capital Assets Being Depreciated:				
Infrastructure	363,828	21,801	—	385,629
Buildings and Building Improvements	12,674,734	565,680	(9,714)	13,230,700
Improvements Other Than Buildings	497,697	26,761	(726)	523,732
Machinery and Equipment	1,864,992	252,022	(72,912)	2,044,102
Software	88,567	23,831	—	112,398
Library Collections	919,555	33,105	(5,460)	947,200
Works of Art and Collections	6,760	138	(97)	6,801
Total Capital Assets Being Depreciated	16,416,133	923,338	(88,909)	17,250,562
Less Accumulated Depreciation For:				
Infrastructure	140,831	11,450	(82)	152,199
Buildings and Building Improvements	3,885,708	336,474	(7,501)	4,214,681
Improvements Other Than Buildings	213,451	17,377	(480)	230,348
Machinery and Equipment	1,363,962	207,578	(65,916)	1,505,624
Software	35,679	6,662	—	42,341
Library Collections	739,370	33,881	(5,517)	767,734
Works of Art and Collections	1,341	172	—	1,513
Total Accumulated Depreciation	6,380,342	613,594	(79,496)	6,914,440
Total Capital Assets, Being Depreciated, Net	10,035,791	309,744	(9,413)	10,336,122
Business-type Activities, Capital Assets, Net	\$ 10,802,131	\$ 547,257	\$ (232,416)	\$ 11,116,972



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 9 - CAPITAL ASSETS (continued)

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

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General Government	\$ 28,995	Higher Education Fund	\$ 545,359
Education	1,946	Nonmajor Enterprise Funds	4,217
Health and Welfare	26,113	Internal Service	103
Transportation	824,787	Depreciation Expense - Business-type Activities	<u>\$ 549,679</u>
Public Safety	71,383		
Economic Development	22,254		
Culture and Recreation	27,088		
Conservation	4,994		
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)	22,185		
Depreciation Expense - Governmental Activities	<u>\$ 1,029,745</u>		



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 9 - CAPITAL ASSETS (continued)

B. Component Units

Capital Asset activity for the fiscal year-ended June 30, 2017, was as follows (amount in thousands):

Component Units	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 360,830	\$ 12,313	\$ (7,044)	\$ 366,099
Works of Art and Collections	1,670	—	—	1,670
Intangibles Other Than Software	910	—	(910)	—
Construction in Progress	1,078,765	712,313	(167,014)	1,624,064
Total Capital Assets, Not Being Depreciated	1,442,175	724,626	(174,968)	1,991,833
Capital Assets Being Depreciated:				
Infrastructure	343,499	236	(6,218)	337,517
Buildings and Building Improvements	1,300,022	76,722	(33,461)	1,343,283
Improvements Other Than Buildings	655,581	39,950	(4,682)	690,849
Machinery and Equipment	1,024,405	148,025	(104,777)	1,067,653
Software	29,981	2,549	—	32,530
Library Collections	4,073	244	(35)	4,282
Works of Art and Collections	71	—	—	71
Total Capital Assets Being Depreciated	3,357,632	267,726	(149,173)	3,476,185
Less Accumulated Depreciation For:				
Infrastructure	222,481	16,832	(6,220)	233,093
Buildings and Building Improvements	538,634	39,912	(20,274)	558,272
Improvements Other Than Buildings	308,396	30,840	(2,557)	336,679
Machinery and Equipment	598,644	83,245	(81,395)	600,494
Software	21,618	1,754	—	23,372
Library Collections	2,798	253	(36)	3,015
Works of Art and Collections	19	1	—	20
Total Accumulated Depreciation	1,692,590	172,837	(110,482)	1,754,945
Total Capital Assets, Being Depreciated, Net	1,665,042	94,889	(38,691)	1,721,240
Component Units Capital Assets, Net*	\$ 3,107,217	\$ 819,515	\$ (213,659)	\$ 3,713,073

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



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 9 - CAPITAL ASSETS (continued)

As of June 30, 2017, balances are available as follows:

Capital Assets Not Being Depreciated:	
Land	\$ 85,810
Works of Art and Collections	2,877
Construction in Progress	8,396
Total Capital Assets, Not Being Depreciated	<u>97,083</u>
Capital Assets Being Depreciated	
Infrastructure	5,518
Buildings and Building Improvements	351,019
Improvements Other Than Buildings	10,516
Machinery and Equipment	26,854
Software	4,289
Total Capital Assets Being Depreciated	<u>398,196</u>
Less: Accumulated Depreciation	<u>(121,668)</u>
Total Capital Assets, Being Depreciated, Net	<u>276,528</u>
Capital Assets, Net (FASB presentation)	<u>373,611</u>
Total Capital Assets, Net - All Component Units	<u>\$ 4,086,684</u>



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017, are as follows (amount in thousands):

	Balance 7/1/2016 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2017	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 8,952,260	\$ 2,260,300	\$ (2,348,855)	\$ 8,863,705	\$ 821,925
Revenue Bonds Payable	289,065	19,265	(63,775)	244,555	41,980
GARVEE Bonds Payable	624,540	—	(154,560)	469,980	162,085
Deferred amounts:					
Net Unamortized Premiums	715,441	399,479	(95,970)	1,018,950	—
Total Bonds Payable	10,581,306	2,679,044	(2,663,160)	10,597,190	1,025,990
Notes and Loans Payable	53,224	28,598	(3,372)	78,450	6,572
Capital Lease Obligations	232,596	26,199	(21,290)	237,505	24,780
Compensated Absences Payable	326,424	201,331	(162,841)	364,914	159,868
Total Governmental Activities	\$ 11,193,550	\$ 2,935,172	\$ (2,850,663)	\$ 11,278,059	\$ 1,217,210
Business-type Activities					
Revenue Bonds Payable	\$ 268,616	\$ 2,070	\$ (4,645)	\$ 266,041	\$ 4,975
Deferred amounts:					
Net Unamortized Premiums	3,323	—	(228)	3,095	—
Total Bonds Payable	271,939	2,070	(4,873)	269,136	4,975
Notes and Loans Payable	45,683	212,522	(1,437)	256,768	2,166
Capital Lease Obligations	3,108,487	41,376	(105,738)	3,044,125	94,705
Compensated Absences Payable	242,638	189,056	(177,390)	254,304	161,005
Other Postemployment Benefit Obligation	2,355,868	359,783	(99,585)	2,616,066	—
Other Liabilities	—	1,455	(24)	1,431	291
Total Business-type Activities	\$ 6,024,615	\$ 806,262	\$ (389,047)	\$ 6,441,830	\$ 263,142

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, 2017: capital leases of \$54.6 million, compensated absences of \$5.0 million and notes payable of \$15.4 million. Of these amounts, \$6.3 million, \$2.2 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, 2017

NOTE 10 - LONG-TERM LIABILITIES (continued)

Component Units

Changes in long-term liabilities for the fiscal year-ended June 30, 2017, are as follows (amount in thousands):

	Balance 7/1/2016 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2017	Amounts Due Within One Year
Component Units					
Revenue Bonds Payable	\$ 2,909,290	\$ 447,510	\$ (505,431)	\$ 2,851,369	\$ 83,057
Mortgage Bonds Payable	1,122,310	197,600	(153,130)	1,166,780	31,520
Net Unamortized Premiums	28,035	57,487	(8,228)	77,294	—
Total Bonds Payable	4,059,635	702,597	(666,789)	4,095,443	114,577
Notes and Loans Payable	171,118	145,517	(71,458)	245,177	69,100
Net Unamortized Premiums	(15)	—	(973)	(988)	—
Capital Lease Obligations	105,565	6,990	(19,223)	93,332	8,777
Compensated Absences Payable	30,047	13,038	(11,279)	31,806	24,621
Grand Prizes Payable	186,090	29,893	(21,003)	194,980	4,981
Derivative Instruments Payable	88,204	—	(30,347)	57,857	—
Other Liabilities	37,649	19,315	(8,189)	48,775	4,320
Total Component Units	\$ 4,678,293	\$ 917,350	\$ (829,261)	\$ 4,766,382	\$ 226,376

B. Bonds and Notes Payable

At June 30, 2017, bonds and notes payable currently outstanding are as follows (amount in thousands):

	Interest Rates	Maturing Through Year	Original Issue Amount	Outstanding Amount
<u>Governmental Activities</u>				
General Obligation Bonds				
General Government	0.30% - 6.25%	2036	\$ 8,863,705	\$ 5,599,890
General Government - Refunding	1.50% - 5.00%	2029		3,263,815
Revenue Bonds				
Transportation Projects	4.00% - 5.00%	2024	363,685	244,555
GARVEE Bonds	3.00% - 5.00%	2021	1,650,000	469,980
Notes and Loans Payable	1.00% - 4.83%	2034	85,193	78,449
<u>Business-type Activities</u>				
Revenue Bonds				
Georgia Higher Education Facilities Authority	2.00% - 6.25%	2041	286,605	234,125
Transportation Projects	6.25% - 7.00%	2049	26,070	31,916
Notes and Loans Payable	0.00% - 3.79%	2024	347,941	256,768
<u>Component Units</u>				
Revenue Bonds				
Higher Education Foundations	0.89% - 6.15%	2047	2,860,255	2,548,344
Georgia Tech Foundation	1.31% - 6.66%	2049	314,565	249,685
Other Revenue Bonds	4.16% - 5.28%	2031	218,505	53,340
Mortgage Bonds				
Georgia Housing and Financing Authority	0.15% - 5.38%	2047	1,625,330	1,166,780
Notes and Loans Payable				
Higher Education Foundations	1.20% - 6.55%	2040	169,580	131,420
Georgia Tech Foundation	1.68% - 5.04%	2024	107,500	73,384
Other Notes and Loans Payable	1.29% - 4.16%	2027	70,724	40,372



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

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. On July 7, 2016, the State issued general obligation bonds, (Series 2016A and 2016B), totaling \$920.1 million 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. 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, 2017, are as follows (amount in thousands):

<u>Purpose</u>	<u>Authorized Unissued Debt</u>
K-12 Education	\$ 298,210
Higher Education	16,300
Revenue	24,000
Public Health	11,100
Other	14,065
Total	\$ 363,675

Defeasance and Refunding of General Obligation Bonds

On July 7, 2016, the State issued two series (Series 2016C and Series 2016D) of general obligation refunding bonds totaling \$450.7 million to refund a total of \$501.1 million from ten different series of general obligation bonds with interest rates ranging from 2.00% to 6.00%. 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 two refunding transactions is \$88.2 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. In addition, the two refunding transactions produced an economic gain of \$79.9 million.

On November 17, 2016, the State issued two series (Series 2016E and Series 2016F) of general obligation refunding bonds totaling \$889.6 million to refund a total of \$1.0 billion from four different series of general obligation bonds with interest rates ranging from 3.00% to 9.00%. 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 two refunding transactions is \$228.1 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. In addition, the two refunding transactions produced an economic gain of \$206.1 million.

As of June 30, 2017, the State had total outstanding advance refunded bonds of \$1.2 billion. 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, 2017

NOTE 10 - LONG-TERM LIABILITIES (continued)

D. Revenue Bonds

Governmental Activities

State Road and Tollway Authority (SRTA) has issued Guaranteed Revenue Bonds of \$19.3 million for the purpose of financing certain road and bridge projects in the State. The guaranteed revenue bonds are secured by a joint resolution between Department of Transportation (DOT) (General Fund) and 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 2017, the State collected \$1.8 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 has issued Federal Highway Grant Anticipation Revenue Bonds and Federal Highway Reimbursement Revenue 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.

Business-type Activities

SRTA has issued toll revenue bonds of \$2.1 million 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, 2017, the outstanding principal balance is \$31.9 million.

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, 2017, the outstanding principal for these revenue bonds is \$234.1 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 .89% to 6.15% with maturity dates through fiscal year 2047. As of June 30, 2017, the outstanding principal for these revenue bonds was \$2.5 billion. These bonds are secured by lease arrangements for these various facilities with the Board of Regents.

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, 2017, the outstanding principal for these revenue bonds was \$249.7 million. 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, 2017

NOTE 10 - LONG-TERM LIABILITIES (continued)

Other component units had revenue bonds payable outstanding at June 30, 2017, of \$53.3 million as detailed below (amounts in thousands):

	<u>Amount</u>
Georgia Environmental Finance Authority	\$ 44,155
Lake Lanier Islands Development Authority	6,760
Regional Educational Service Agencies	2,425
Total	<u>\$ 53,340</u>

E. Mortgage Bonds

Component Units

Mortgage bonds outstanding of \$1.2 billion at June 30, 2017, 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, 2017, were \$78.4 million.

- Of this amount, \$29.8 million, \$28.6 million, and \$4.6 million, respectively, is attributable to Energy Performance Contracts for the Department of Economic Development, the Department of Corrections and the Department of Natural Resources.
- Georgia Technology Authority has total notes payable of \$15.4 million. Of this amount, \$14.7 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 \$0.7 million is financing for equipment purchases with 4.6% interest rate and matures in 2019.

Business-type Activities

Notes and loans payable for business-type activities as of June 30, 2017, were as follows (amount in thousands):

	<u>Amount</u>
Transportation Projects	\$ 246,506
Georgia Institute of Technology	7,413
University of Georgia	2,092
The Technical College System of Georgia	757
Total	<u>\$ 256,768</u>



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 10 - LONG-TERM LIABILITIES (continued)

Transportation Projects Notes and Loans

The notes and loans payable balance in Transportation Projects primarily consists of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan which is related to the I-75 Northwest Corridor Express Lanes Project. In November 2013, SRTA executed a TIFIA loan of up to \$275.0 million which proceeds, when drawn upon, will finance a portion of the costs for the project. During construction and for a period of up to five years following substantial completion, interest is compounded and added to the initial TIFIA loan. The TIFIA loan requires mandatory debt service payments at a minimum and scheduled debt service payments to the extent additional funds are available. TIFIA debt service payments are expected to commence in 2023, which is five years after substantial completion. The interest rate of the TIFIA loan is 3.79%. \$184.4 million was drawn on the TIFIA loan during fiscal year 2017.

Component Units

Notes and loans payable for component units as of June 30, 2017, were as follows (amount in thousands):

	Amount
Higher Education Foundations	\$ 131,420
Georgia Tech Foundation, Inc.	73,384
Georgia Ports Authority	26,857
Lake Lanier Islands Development Authority	10,236
Georgia Military College	2,796
Pioneer RESA	483
	<hr/>
Total	\$ 245,176

Higher Education Foundations Notes and Loans

During fiscal year 2012, AU 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 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, 2017 was \$40.5 million.

In October 2016, the University System of Georgia (USG) Real Estate IV, LLC purchased the FVSU WildCat Commons Phase I (a student housing dormitory) from the Fort Valley State University Foundation Property, LLC for \$40.4 million by issuing a two year interest-only bond anticipation note (BAN) payable. At maturity, the BAN payable will be refinanced with a 30 year low-interest fixed rate USDA loan. The terms of the BAN payable require the USG Real Estate Foundation IV, LLC to lease the related facilities to the Board of Regents through year-to-year rental agreements that have multi-year renewal options, in amounts necessary to maintain the properties, pay interest on the note, and retire the debt. The BAN payable will mature on October 1, 2018, bears interest at a fixed rate of 1.2%, and is payable semiannually on October 1 and April 1. Interest will accrue at the fixed rate until converted to another fixed rate in accordance with the Indenture. The balance on the note at June 30, 2017 was \$40.4 million.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 10 - LONG-TERM LIABILITIES (continued)

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, 2017, was \$5.2 million. 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 1.99% at June 30, 2017. Principal and interest on the promissory loan agreement are payable quarterly. The outstanding balance at June 30, 2017 was \$11.6 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, 2017, 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, 2017, the rate applicable to the borrowings was 1.82%.

Georgia Advanced Technology Ventures, Inc. has entered into three notes payable with principals maturing in June 2020, October 2033 and December 2014. The notes bear interest rates between 3.79% to 6.55%. The outstanding balance at June 30, 2017 was \$8.7 million.

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, 2017, the outstanding balance on the note was \$5.4 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, 2017 was 4.25%. As of June 30, 2017, the outstanding balance on the note was \$0.6 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2017, an additional \$10.6 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. Interest is calculated using the 30-day LIBOR rate. As of June 30, 2017, \$25.1 million was outstanding on these lines of credit. In October 2016, the Foundation entered into a loan assumption and substitution agreement with the previous borrower and assumed a \$35.7 million note payable from a third party lender under terms of the existing loan agreement. The effective rate of interest at June 30, 2017 was 5.04%. As of June 30, 2017, the outstanding balance on the note was \$35.3 million. In May 2017, the Foundation entered into a loan agreement with a bank, borrowing \$13.0 million. The effective interest rate at June 30, 2017 was 4.75%. As of June 30, 2017, the outstanding balance on the loan was \$13.0 million.

The Georgia Ports Authority maintains an uncollateralized revolving line of credit in the amount of \$48.0 million. As of June 30, 2017, \$26.9 million was outstanding on this line of credit. The interest rate (1.29% at June 30, 2017) is based on the one-month LIBOR rate. This line of credit was paid in full on August 1, 2017.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 10 - LONG-TERM LIABILITIES (continued)

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*.

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 \$0.2 million at June 30, 2017 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 2017 was as follows (amount in thousands):

Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts Due Within One Year
\$ 147	\$ 147	\$ 106	\$ 188	\$ —

Department of Defense

Department of Defense has recorded liabilities totaling \$0.2 million at June 30, 2017 for pollution remediation primarily related to ground contamination at three sites. The liabilities were determined by previous experience. The estimated amount of recovery from insurance and other potentially responsible parties is \$0.1 million. Pollution remediation liability activity in fiscal year 2017 was as follows (amount in thousands):

Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts Due Within One Year
\$ 285	\$ —	\$ 100	\$ 185	\$ 81

Department of Agriculture

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.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 10 - LONG-TERM LIABILITIES (continued)

Business-type Activities

University of Georgia

University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. 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. University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2017 was as follows (amount in thousands):

Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts Due Within One Year
\$ 770	\$ 147	\$ 132	\$ 785	\$ 175

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. The University System of Georgia has recorded a liability related to this pollution remediation in the amount of \$0.4 million. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2017 was as follows (amount in thousands):

Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts Due Within One Year
\$ 437	\$ 444	\$ 437	\$ 444	\$ 444

Component Units

Georgia Advanced Technology Ventures, Inc.

The Environmental Protection Division of the Georgia Department of Natural Resources (EPD) issued a Proposed Consent Order in May 2010 with respect to Compliance Status Reports submitted for the 1115 Howell Mill Road property owned by Georgia Advanced Technology Ventures (Organization). The Organization hired an independent environmental attorney and an independent environmental consulting firm to determine the extent of the potential liability that exists. At June 30, 2012, the Organization reflected a liability in their financial statements in the amount of \$1.2 million. On November 30, 2011, the Organization submitted a Voluntary Remediation Program Application to the EPD which was approved on November 2, 2012, and the cost estimate of the approved remediation program was \$0.6 million. The Organization reviewed the cost of the remediation program during fiscal year 2016 and estimated the cost to be \$0.7 million and adjusted the total potential liability accordingly in their financial statements. The EPD required the submittal of a financial assurance instrument as a condition of the approved remediation program. The Organization established a letter of credit expiring February 28, 2018, to meet this requirement. There were no outstanding draws against the letter of credit at June 30, 2017.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 10 - LONG-TERM LIABILITIES (continued)

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. 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. 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 mediation. Any amount expected to be recovered cannot be estimated at this time.

A repayment plan has been established for the remaining amount payable to GSU in the amount of \$3.5 million as follows:

June 30, 2018	\$	355
2019		355
2020		355
2021		355
2022		355
Thereafter		<u>1,676</u>
Total	\$	<u><u>3,451</u></u>

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, 2017 is approximately \$0.1 million and is reported with accounts payable and other accruals.



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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
2018	\$ 821,925	\$ 373,122	\$ 41,980	\$ 11,787	\$ 162,085	\$ 23,161	\$ 6,572	\$ 2,231
2019	783,090	337,219	44,105	9,665	119,135	15,197	6,177	2,384
2020	737,430	302,546	46,335	7,436	125,045	9,286	5,955	2,240
2021	702,715	269,356	48,675	5,095	63,715	3,071	6,100	2,100
2022	626,475	238,181	21,545	2,634	—	—	6,268	1,955
2023-2027	2,747,505	812,074	41,915	2,011	—	—	18,730	7,670
2028-2032	1,864,405	298,944	—	—	—	—	23,509	3,736
2033-2037	580,160	37,657	—	—	—	—	5,139	234
2038-2042	—	—	—	—	—	—	—	—
2043-2047	—	—	—	—	—	—	—	—
2048-2052	—	—	—	—	—	—	—	—
Total	\$ 8,863,705	\$ 2,669,099	\$ 244,555	\$ 38,628	\$ 469,980	\$ 50,715	\$ 78,450	\$ 22,550

Year	Business-type Activities			
	Revenue Bonds		Notes and Loans Payable	
	Principal *	Interest	Principal **	Interest
2018	\$ 4,975	\$ 11,256	\$ 1,409	\$ 185
2019	5,340	11,052	61,291	156
2020	6,938	10,785	1,467	127
2021	7,905	10,509	1,497	97
2022	8,703	10,179	1,528	66
2023-2027	48,089	52,480	2,165	40
2028-2032	58,837	46,644	—	—
2033-2037	74,318	32,214	—	—
2038-2042	52,310	13,281	—	—
2043-2047	13,270	5,364	—	—
2048-2052	7,005	756	—	—
Total	\$ 287,690	\$ 204,520	\$ 69,357	\$ 671

* Includes accreted interest of \$21.6 million that will be recorded in future years to increase bonds payable as the interest accretes.

** A debt service schedule for the TIFIA loan will be provided after the last loan draw.



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 10 - LONG-TERM LIABILITIES (continued)

Component Units

Year	Higher Education Foundations		Georgia Tech Foundations		Other Component Units	
	Revenue Bonds		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 69,671	\$ 104,148	\$ 10,725	\$ 12,148	\$ 2,661	\$ 3,251
2019	77,347	103,334	11,425	11,640	956	3,207
2020	111,549	99,457	12,065	11,037	1,003	3,161
2021	85,724	95,326	12,850	10,356	1,051	3,113
2022	107,406	91,780	13,780	9,631	1,100	3,063
2023-2027	536,060	378,820	71,115	37,186	3,376	14,705
2028-2032	614,207	270,499	71,170	18,788	43,193	11,234
2033-2037	562,860	143,865	9,405	8,490	—	—
2038-2042	359,620	40,957	13,445	6,255	—	—
2043-2047	23,900	732	18,630	3,017	—	—
2048-2052	—	—	5,075	126	—	—
Total	\$ 2,548,344	\$ 1,328,918	\$ 249,685	\$ 128,674	\$ 53,340	\$ 41,734

Year	Higher Education Foundations		Georgia Tech Foundations		Other Component Units	
	Notes and Loans Payable		Notes and Loans Payable		Notes and Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 15,039	\$ 1,685	\$ 25,929	\$ 2,377	\$ 28,132	\$ 492
2019	90,357	1,678	884	2,334	1,324	444
2020	3,213	906	929	2,289	1,365	394
2021	2,167	836	976	2,242	1,408	342
2022	2,227	785	1,025	2,193	3,054	283
2023-2027	6,582	3,060	43,641	3,579	5,089	416
2028-2032	6,234	1,762	—	—	—	26
2033-2037	4,211	587	—	—	—	—
2038-2042	1,391	55	—	—	—	—
Total	\$ 131,421	\$ 11,354	\$ 73,384	\$ 15,014	\$ 40,372	\$ 2,397

Year	Georgia Housing and Finance Authority	
	Mortgage Bonds	
	Principal	Interest
2018	\$ 31,520	\$ 38,292
2019	33,860	37,723
2020	34,705	37,001
2021	35,350	36,180
2022	36,390	35,234
2023-2027	181,105	159,904
2028-2032	204,330	128,107
2033-2037	254,635	88,151
2038-2042	234,010	44,079
2043-2047	120,875	10,204
Total	\$ 1,166,780	\$ 614,875



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

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 \$40.4 million, \$51.5 million, and \$28.1 million, respectively, for the year ended June 30, 2017. Future minimum commitments for operating leases as of June 30, 2017, are listed below (amount in thousands).

Fiscal Year Ended June 30	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
2018	\$ 22,928	\$ 48,623	\$ 29,098
2019	15,383	54,631	26,421
2020	10,758	53,091	24,259
2021	6,568	46,515	22,533
2022	3,511	42,683	20,567
2023-2027	9,184	170,636	57,563
2028-2032	4,257	114,191	20,833
2033-2037	1,511	24,200	10,649
2038-2042	—	1,681	440
2043-2047	—	664	352
2048-2052	—	664	—
2053-2057	—	133	—
Total Future Minimum Commitments	\$ 74,100	\$ 557,712	\$ 212,715



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, the historical cost of assets acquired through capital leases was as follows (amount in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
Land	\$ —	\$ 49,550	\$ 76
Infrastructure	—	39,705	—
Buildings	365,731	3,436,005	85,334
Improvements Other Than Buildings	—	6,530	—
Machinery and Equipment	6,476	32,830	389
Software	1,887	—	—
Less: Accumulated Depreciation	(197,262)	(930,098)	(2,000)
Total Assets Held Under Capital Lease	\$ 176,832	\$ 2,634,522	\$ 83,799



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 11 - LEASES (continued)

At June 30, 2017, future commitments under capital leases were as follows (amount in thousands):

Fiscal Year Ended June 30	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
2018	\$ 56,017	\$ 266,908	\$ 13,774
2019	54,700	266,379	13,324
2020	47,830	265,669	12,190
2021	43,264	266,680	10,586
2022	36,096	267,810	9,428
2023-2027	138,781	1,342,012	32,275
2028-2032	75,290	1,298,651	27,928
2033-2037	25,133	946,284	10,518
2038-2042	11,944	414,754	—
2043-2047	2,586	16,780	—
2048-2052	30	3,869	—
2053-2057	30	—	—
2058-2062	12	—	—
Total Capital Lease Payments	491,713	5,355,796	130,023
Less: Interest	(243,670)	(1,925,234)	(36,686)
Executory Costs	(10,538)	(386,437)	(5)
Present Value of Capital Lease Payments	\$ 237,505	\$ 3,044,125	\$ 93,332

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, 2017

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 \$12.7 million, and \$64.2 million, respectively, for the year ended June 30, 2017. Minimum future revenues and rentals to be received under operating leases as of June 30, 2017, are as follows (amount in thousands):

Fiscal Year Ended June 30	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
2018	\$ 8,904	\$ —	\$ 39,949
2019	9,015	—	27,514
2020	4,998	—	26,900
2021	1,170	—	26,105
2022	1,182	—	24,419
2023-2027	3,545	—	99,548
2028-2032	3,748	—	73,157
2033-2037	3,966	—	47,486
2038-2042	4,185	—	21,139
2043-2047	2,201	—	12,723
2048-2052	22	—	13,173
2053-2057	—	—	24,175
Total Minimum Revenues	\$ 42,936	\$ —	\$ 436,288

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, 2017, are as follows (amount in thousands):

Fiscal Year Ended June 30	Amount
2018	\$ 191,849
2019	194,285
2020	193,674
2021	195,232
2022	195,866
Thereafter	2,911,653
Total Minimum Revenues	3,882,559
Less: Unearned Income	(1,544,268)
Net Revenue	\$ 2,338,291



NOTE 11 - LEASES (continued)

D. Related Parties

Primary Government

University System of Georgia Foundations

During fiscal year 2017, various foundations that are not included in the government-wide financial statements have entered into transactions with institutions of the University System of Georgia. The University System of Georgia institutions have capital leases payable to these foundations that are not included as component units in the amount of \$573.7 million as of June 30, 2017.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 determine to be prudent. Current year net appreciation for the endowment accounts was \$8.6 million and is reflected as restricted net position.

Changes in the endowment net position for the year ended June 30, 2017, are as follows (amount in thousands):

Component Units	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net position, July 1	\$ 309,480	\$ 805,609	\$ 1,378,046	\$ 2,493,135
Contributions	9,408	4,793	98,376	112,577
Net realized and unrealized gains	49,159	244,864	8,176	302,199
Appropriation of endowment assets for expenditure	(9,938)	(84,403)	(4,512)	(98,853)
Transfers to comply with donor intent	8,520	(8,947)	(11,038)	(11,465)
Other	5,913	9,285	3,570	18,768
Endowment net position, June 30	<u>\$ 372,542</u>	<u>\$ 971,201</u>	<u>\$ 1,472,618</u>	<u>\$ 2,816,361</u>



NOTE 13 - SERVICE CONCESSION ARRANGEMENTS

A. Primary Government

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 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 \$4.8 million of this deferred inflow in June 2017, leaving a remaining deferred inflow of resources balance of \$301.6 million at June 30, 2017.

In addition to the existing student housing arrangement, Corvias designs and constructs authorized new housing projects that, once constructed, are 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. In fiscal year 2017, five additional housing projects were completed and their fair market values were capitalized increasing Capital Assets by \$154.4 million. The five projects included Augusta University for \$46.6 million; Columbus State University for \$18.9 million; Dalton State College for \$15.8 million; Georgia State University for \$50.3 million; and University of North Georgia for \$22.8 million. In addition, final construction costs were added to the College of Coastal Georgia housing project in the amount of \$0.2 million and to East Georgia State College housing project in the amount of \$0.2 million during fiscal year 2017. 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 inflows associated with these new projects are being amortized over the remaining life of the SCA. The USO amortized \$2.6 million of this deferred inflow in June 2017 related to these seven projects, leaving a remaining deferred inflow of resources balance of \$174.9 million at June 30, 2017.

Also part of this SCA, and beginning in fiscal year 2016, the USO receives \$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, 2017, the USO amortized \$7.9 million and recognized \$0.9 million in associated interest income, leaving a deferred inflow balance of \$57.3 million as of June 30, 2017.

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, 2017

NOTE 13 - SERVICE CONCESSION ARRANGEMENTS (continued)

Georgia Gwinnett College

On May 13, 2014, Georgia Gwinnett College (GGC) entered into an agreement with Aramark Education Services, LLC (Aramark), whereby Aramark will operate food services operations from service participants. The agreement is renewable each year for 10 years. On May 13, 2017, the contract renewal (amendment) included several changes to the financial commitment.

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 \$5.3 million per operating year. In the event that the amount paid to or retained by Aramark is less than the Annual Fixed Fee of \$5.3 million, then GGC 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. If the actual operation year retainage is more than the Annual Fixed Fee but less than the 199.9% of the Annual Fixed Fee, then neither party shall owe anything to the other. 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.

Under the terms of the contract, Aramark committed a lump sum upfront payment of \$0.4 million. The amortized revenue recorded related to the lump sum payment in fiscal year 2017 was \$36.0 thousand and the remaining deferred inflow was \$0.3 million.

In addition, GGC was to 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. In fiscal year 2017, the contract amendment called for a return of any unamortized installment payments and that the third installment payment of \$0.5 million not to be made. The unamortized installment payments of \$0.8 million was returned to Aramark in fiscal year 2017. The amortized revenue recorded in fiscal year 2017 for the installment payments was \$68.8 thousand and the remaining deferred inflow is \$0.

Under terms of the original agreement, Aramark also committed \$5.3 million in dining facility renovations. In fiscal year 2017, the contract amendment called for a return of outstanding unamortized amounts of \$1.6 million and for a reduction of \$0.7 million to deferred inflows for uncollected funds. The amortized revenue recorded in fiscal year 2017 for the remaining construction commitment was \$0.3 million, leaving deferred inflow balance of \$2.3 million.

For fiscal year 2017, GGC reported a total remaining deferred inflow of resources of \$2.5 million related to the SCA.

Kennesaw State University

At June 30, 2017, Kennesaw State University (KSU) was a participant in three SCAs.

1. In August 2001, KSU entered into an agreement with Kennesaw State University 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



NOTE 13 - SERVICE CONCESSION ARRANGEMENTS (continued)

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, 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, 2017, KSU reports the three housing residences as capital assets with a net carrying value of \$63.6 million. For fiscal year 2017, the University reported a remaining deferred inflow of resources of \$63.6 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, 2017

NOTE 14 - DEFERRED INFLOWS AND OUTFLOWS

Deferred Outflows and Inflows of Resources reported on the Statement of Net Position as of June 30, 2017, consisted of the following (amount in thousands):

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ —	\$ —	\$ —	\$ 3,961
Deferred Amount on Refundings of Bonded Debt	227,813	31,961	259,774	55,493
Deferred Outflows Relating to Pensions:				
Difference between expected and actual experience	4,469	50,641	55,110	1,772
Change of assumptions	125,685	90,227	215,912	16,151
Net difference between projected and actual earnings on pension plan investments	544,323	459,119	1,003,442	47,949
Change in proportion	67,267	104,508	171,775	9,036
State contribution subsequent to the measurement date	634,696	305,459	940,155	33,651
Total Deferred Outflows of Resources	\$ 1,604,253	\$ 1,041,915	\$ 2,646,168	\$ 168,013
Deferred Inflows of Resources				
Accumulated Increase in Fair Value of Hedging Derivatives	\$ —	\$ —	\$ —	\$ 2,130
Deferred Amount on Refundings of Bonded Debt	997	34,141	35,138	—
Deferred Service Concession Arrangement Receipts	—	599,866	599,866	17,264
Deferred Inflows Relating to Pensions:				
Difference between expected and actual experience	36,564	21,443	58,007	841
Change of assumptions	8,159	—	8,159	2,739
Net difference between projected and actual earnings on pension plan investments	13	(13)	—	2,895
Change in proportion	69,702	65,336	135,038	9,306
Unavailable Revenue	78,187	37,508	115,695	8,484
Total Deferred Inflows of Resources	\$ 193,622	\$ 758,281	\$ 951,903	\$ 43,659

Of the \$1.6 billion of deferred outflows of resources reported in the governmental activities, \$1.4 billion represent deferred outflows relating to pensions, of which \$18.4 million are reported in the internal service funds. The remaining \$227.8 million represent deferred amounts on refundings of bonded debt.

Of the \$193.6 million of deferred inflows of resources reported in the governmental activities, \$114.4 million represent deferred inflows relating to pensions, of which \$0.9 million are reported in the internal service funds. Additionally, the U.S. Department of Justice settled an agreement with the Volkswagen Corporation during the fiscal year by which an Environmental Mitigation Trust was established. The State received an allocation of \$63.6 million to fund eligible mitigation actions. The remaining \$15.6 million represent deferred amounts on refundings of bonded debt and unavailable revenue related to grant funds received before the period when those resources are permitted to be used.



NOTE 14 - DEFERRED INFLOWS AND OUTFLOWS (continued)

Deferred outflows reported in business-type activities include \$1.0 billion, which represent deferred outflows relating to pensions and \$32.0 million, which represent deferred amounts on refundings of bonded debt.

Of the \$758.3 million of deferred inflows of resources reported in the business-type activities, \$86.8 million represent deferred inflows relating to pensions, \$599.9 million represent deferred service concession arrangement receipts described in *Note 13 - Service Concession Arrangements*, \$34.1 million represent deferred amounts on refundings of bonded debt and \$37.5 million in unavailable revenue represent grant funds received before the period when those resources are permitted to be used.

Of the \$168.0 million of deferred outflows of resources reported in the component units, \$108.6 million represent deferred outflows relating to pensions and \$55.5 million represent deferred amounts on refundings of bonded debt.

Of the \$43.7 million of deferred inflows of resources reported in the component units, \$15.8 million represent deferred inflows relating to pensions, 17.3 million represent deferred service concession arrangement receipts described in *Note 13 - Service Concession Arrangements* and \$8.5 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 \$1.8 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.



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:	www.ers.ga.gov
Teachers Retirement System:	www.trsga.com
Peace Officers' Annuity and Benefit Fund of Georgia:	www.poab.georgia.gov
Georgia Firefighters' Pension Fund:	www.gfpf.org

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. 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.

B. 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, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

For the fiscal year ended June 30, 2017, 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	2.90%
Teacher's Retirement System	7.62%
Peace Officers'	11.91%
Firefighters'	11.10%

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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>					<u>Peace Officers'</u>	<u>Firefighters'</u>
	<u>ERS</u>	<u>PSERS</u>	<u>GJRS</u>	<u>TRS</u>			
Fixed Income	25% - 45%	25% - 45%	25% - 45%	25% - 45%	20% - 40%	19.5% - 49.5%	
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 Equivalent	—%	—%	—%	—%	0% - 10%	—%	
Other	—%	—%	—%	—%	—%	5% - 25%	
Total	100%	100%	100%	100%	100%	100%	



NOTE 15 - RETIREMENT SYSTEMS (continued)

C. Defined Benefit Plans Descriptions and Funding Policies

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.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

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 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 2017 were based on the June 30, 2014 actuarial valuation as follows:

<u>Plan Segment</u>	<u>Contribution Rate 2017</u>
Old Plan*	24.69%
New Plan	24.69%
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 certain local employees in State Courts.

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.



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, 2017 were \$727.97 per active member and were based on the June 30, 2014, 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 in 1998 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 66.67% of State paid salary at retirement for district attorneys and superior court judges and 66.67% 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.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

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 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, 2017 were 10.48% of compensation and were based on the June 30, 2014 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.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

Member contributions as adopted by the Board of Trustees for fiscal year 2017 were 6% of covered payroll. Employer and Nonemployer contributions required for fiscal year 2017 were 14.27% of annual salary as required by the June 30, 2014, actuarial valuation.

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, 2017, 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.



NOTE 15 - RETIREMENT SYSTEMS (continued)

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 exceed legislative requirements. The actuarial valuation as of June 30, 2017, calculated the minimum employer contribution for the fiscal year ended June 30, 2017, as \$12.7 million. The fines and forfeitures revenue of \$14 million for the fiscal year ended June 30, 2017, did 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.

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, 2017 is \$895 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.

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.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 15 - RETIREMENT SYSTEMS (continued)

Contributions: The Firefighters’ fund is funded by member and 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 contributions are set forth in O.C.G.A 47-7-60 and are not actuarially determined. Each member must contribute \$25 per month, to be paid no later than the 10th day of each month.

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 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 June 30, 2016, calculated the minimum employer contribution for the fiscal year ended June 30, 2017, as \$29.0 million. The insurance premium tax revenue of \$34.2 million for the fiscal year ended June 30, 2017, 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.

D. Defined Benefit Plans Membership and Participating Employers

The following table summarizes the participating membership and participating employers at June 30, 2017:

Plan Membership	Participating Membership by Plan					
	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Inactive plan members or beneficiaries currently receiving benefits	49,632	18,104	346	122,629	5,823	5,299
Inactive plan members entitled to but not yet receiving benefits	57,329	48,189	60	11,988	1,386	238
Inactive plan members not entitled to benefits	—	—	—	89,536	—	2,397
Active plan members	60,983	35,510	527	222,918	13,002	13,322
Total	167,944	101,803	933	447,071	20,211	21,256
Number of Employers	427	184	94	310	609	439

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, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

E. Defined Benefit Plans 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, 2017, by Plan (amount in thousands):

Components of the Net Pension Liability/ (Asset)	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Total Pension Liability	\$17,159,634	\$ 1,013,163	\$ 394,736	\$ 89,926,280	\$ 743,361	\$ 1,007,205
Plan Fiduciary Net Position	13,098,299	868,134	441,182	71,340,972	754,614	843,414
Employers' and non-employer contributing entity's net pension liability/(asset)	<u>\$ 4,061,335</u>	<u>\$ 145,029</u>	<u>\$ (46,446)</u>	<u>\$ 18,585,308</u>	<u>\$ (11,253)</u>	<u>\$ 163,791</u>
Plan fiduciary net position as a percentage of the total pension liability	76.33%	85.69%	111.77%	79.33%	101.51%	83.74%

F. Defined Benefit Plans Actuarial Methods and Assumptions

Actuarial Valuation Date

The total pension liability at June 30, 2017 is based upon the June 30, 2016 actuarial valuation for ERS, PSERS, GJRS, TRS, and Peace Officers, and June 30, 2017 for Firefighters', using generally accepted actuarial procedures/techniques.



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

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					Actuarial experience study
	Valuation date	Inflation	Salary increases	Investment rate of return ¹	Mortality	
ERS	6/30/2016	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. There is a margin for future mortality improvement in the tables used by the plan.	7/1/2009 - 6/30/2014
PSERS	6/30/2016	2.75%	N/A	7.50%	Post-retirement mortality rates were based on the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB set forward 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. There is a margin for future mortality improvement in the tables used by the plan.	7/1/2009 - 6/30/2014
GJRS	6/30/2016	2.75%	4.5%*	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. There is a margin for future mortality improvement in the tables used by the plan.	7/1/2009 - 6/30/2014
TRS	6/30/2016	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. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries projection scale BB (set forward 2 years for males and four years for females) was used for death after disability. There is a margin for future mortality improvement in the tables used by the plan. The numbers of expected future deaths are 8-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. 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
Peace Officers'	6/30/2016	2.50%	N/A	6.50%	Mortality rates were based on the RP 2014 Healthy Mortality Table with blue collar adjustment projected with the Conduent modified MP 2016 projection scale for healthy lives and the RP 2014 Disabled Retiree Mortality Table projected with the Conduent modified MP 2016 projection scale for disabled lives.	6/30/2008-6/30/2015
Firefighters'	6/30/2017	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

¹Investment 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, 2017

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%	2.4%
Mortgage Backed Securities	—	—	—	—	—	—	—	—	—	—	12.0%	1.0%
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%	1.4%
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%	5.9%
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%	6.7%
International developed market equities	17.8%	8.0 %	17.8%	8.0 %	17.8%	8.0 %	19.4%	8.0 %	—	—	13.0%	6.7%
International emerging market equities	5.2%	12.0 %	5.2%	12.0 %	5.2%	12.0 %	5.6%	12.0 %	—	—	6.5%	9.7%
International equity funds	—	—	—	—	—	—	—	—	10.0%	8.8%	—	—
Private equity	—	—	—	—	—	—	—	—	—	—	5.0%	8.7%
Real estate	—	—	—	—	—	—	—	—	—	—	5.0%	4.6%
Real Assets (liquid)	—	—	—	—	—	—	—	—	—	—	5.0%	4.7%
Commodities	—	—	—	—	—	—	—	—	5.0%	6.4%	—	—
Alternatives	5%	10.50 %	5%	10.50 %	5%	10.50 %	—	—	—	—	—	—
Total	<u>100%</u>		<u>100%</u>		<u>100%</u>		<u>100%</u>		<u>100%</u>		<u>100%</u>	

* 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 6.50%. 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.



NOTE 15 - RETIREMENT SYSTEMS (continued)

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 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/(NPA) 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/(NPA) of the employer and nonemployer contributing entities. The NPL/(NPA) is calculated using the determined discount rate as well as what the NPL/(NPA) 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>
	(6.50)%	(7.50)%	(8.50)%
ERS's Net Pension Liability	<u>\$ 5,732,372</u>	<u>\$ 4,061,335</u>	<u>\$ 2,635,889</u>
	(6.50)%	(7.50)%	(8.50)%
PSERS's Net Pension Liability	<u>\$ 256,593</u>	<u>\$ 145,029</u>	<u>\$ 51,139</u>
	(6.50)%	(7.50)%	(8.50)%
GJRS's Net Pension (Asset)	<u>\$ (8,873)</u>	<u>\$ (46,446)</u>	<u>\$ (79,122)</u>
	(6.50)%	(7.50)%	(8.50)%
TRS's Net Pension Liability	<u>\$ 30,500,671</u>	<u>\$ 18,585,308</u>	<u>\$ 8,769,727</u>
	(5.50)%	(6.50)%	(7.50)%
Peace Officers' Net Pension Liability/(Asset)	<u>\$ 83,696</u>	<u>\$ (11,253)</u>	<u>\$ (90,078)</u>
	(5.00)%	(6.00)%	(7.00)%
Firefighters' Net Pension Liability	<u>\$ 300,127</u>	<u>\$ 163,791</u>	<u>\$ 51,371</u>



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 15 - RETIREMENT SYSTEMS (continued)

The following information is from the perspective of the State as the employer.

G. State's Proportionate Share of 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, 2017 is as follows (amount in thousands):

Aggregate Pension Amounts - All Plans

	<u>Primary Government</u>	<u>Component Units</u>
Pension liabilities	\$ 8,403,589	\$ 211,566
Pension assets	\$ (65,313)	\$ —
Deferred outflows of resources related to pensions	\$ 2,386,394	\$ 108,559
Deferred inflows of resources related to pensions	\$ 201,204	\$ 15,781
Pension expense/expenditures	\$ 777,441	\$ 39,130

The NPL for each plan was measured as of June 30, 2016. The total pension liability used to calculate the NPL for each plan was based on an actuarial valuation as of June 30, 2015 for ERS, PSERS, GJRS, TRS, Peace Officers' and as of June 30, 2016 for and Firefighters'.

The information below includes all significant plans and funds administered by the State of Georgia.



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

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					Actuarial experience study
	Valuation date	Inflation	Salary increases	Investment rate of return ¹	Mortality	
ERS	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. There is a margin for future mortality improvement in the tables used by the Plan. The numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the experience study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projected scale BB.	7/1/2009 - 6/30/2014
PSERS	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. There is a margin for future mortality improvement in the tables used by the Plan. The numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the experience study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.	7/1/2009 - 6/30/2014
GJRS	6/30/2015	2.75%	4.50%*	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
TRS	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. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projections scale BB (set forward two years for males and four years for females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the Plan. The number of expected future deaths are 8-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. 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
Peace Officers'	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
Firefighters'	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

¹Investment 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, 2017**

NOTE 15 - RETIREMENT SYSTEMS (continued)

An expected total pension liability as of June 30, 2016 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, 2016.

Employees’ Retirement System

State’s Proportionate Share of Net Pension Liability and Pension Expense

Primary Government: At June 30, 2016, the State’s proportion for the ERS plan as employer was 87.798535%, which was an increase of 0.116123% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the State recognized pension expense of \$389.3 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’s proportion was 2.111751% for certain Local County Tax Commissioners and the CSC and PAC employees in certain counties. For the year ended June 30, 2017, the State recognized expense of \$(9.7) million.

Component Units: At June 30, 2016, the State’s proportion for the ERS plan as Employer was 1.639295%, which was an increase of 0.082168% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the State recognized pension expense of \$9.6 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.

State’s Proportionate Share of Deferred Outflows/Inflows of Resources

At June 30, 2017, 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	\$ —	\$ 9,570	\$ —	\$ 231	\$ —	\$ 181
Changes of assumptions	35,179	—	846	—	656	—
Net difference between projected and actual earnings on pension plan investments	422,270	—	10,156	—	7,885	—
Changes in proportion and differences between State contributions and proportionate share of contributions	65,091	58,363	770	5,314	2,719	563
State contributions subsequent to the measurement date	554,976	—	11,967	—	9,576	—
Total	\$ 1,077,516	\$ 67,933	\$ 23,739	\$ 5,545	\$ 20,836	\$ 744



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

Primary Government: State contributions as employer and nonemployer subsequent to the measurement date of \$555.0 million and \$12.0 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018.

Component Units: State contributions as employer subsequent to the measurement date of \$9.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	Primary Government		Component Units
	State as Employer	State as Nonemployer Contributing Entity	State as Employer
2018	\$ 50,322	\$ (2,832)	\$ 2,511
2019	35,489	188	1,119
2020	227,664	5,476	4,251
2021	141,132	3,395	2,635
2022	—	—	—
Thereafter	—	—	—

Public School Employees Retirement System

State's Proportionate Share of Net Pension Liability and Pension Expense

At June 30, 2016, 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, 2017, the State recognized pension expense of \$30.9 million.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

State's Proportionate Share of Deferred Outflows/Inflows of Resources

At June 30, 2017, 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	\$ —	\$ 4,492
Changes of assumptions	15,733	—
Net difference between projected and actual earnings on pension plan investments	30,779	—
Changes in proportion and differences between State contributions and proportionate share of contributions	—	—
State contributions subsequent to the measurement date	26,277	—
Total	\$ 72,789	\$ 4,492

State contributions as nonemployer subsequent to the measurement date of \$26.3 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	
2018	\$ 13,422
2019	2,182
2020	16,251
2021	10,165
2022	—
Thereafter	—

Georgia Judicial Retirement System

State's Proportionate Share of Net Pension Liability and Pension Expense

At June 30, 2016, the State's proportion for the GJRS plan as Employer was 58.753912%, which was an increase of 0.118034% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the State recognized pension expense of \$0.9 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, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

At June 30, 2016, the State’s proportion was 41.246088% for certain State court judges and solicitors general and for certain juvenile court judges. For the year ended June 30, 2017, the State recognized expense of \$0.7 million.

State's Proportionate Share of Deferred Outflows/Inflows of Resources

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amount in thousands):

	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 4,384	\$ —	\$ 3,078
Changes of assumptions	—	2,062	—	1,448
Net difference between projected and actual earnings on pension plan investments	9,049	—	6,352	—
Changes in proportion and differences between State contributions and proportionate share of contributions	250	379	962	834
State contributions subsequent to the measurement date	3,701	—	2,575	—
Total	<u>\$ 13,000</u>	<u>\$ 6,825</u>	<u>\$ 9,889</u>	<u>\$ 5,360</u>

State contributions as employer and nonemployer subsequent to the measurement date of \$3.7 million and \$2.6 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	State as Employer	State as Nonemployer Contributing Entity
	2018	\$ (1,071)
2019	(1,073)	(706)
2020	2,890	2,136
2021	2,075	1,469
2022	(347)	(239)
Thereafter	—	—



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

Teachers Retirement System of Georgia

State's Proportionate Share of Net Pension Liability and Pension Expense

Primary Government: At June 30, 2016, the State's proportion for the TRS plan as Employer was 16.741530%, which was an increase of 0.053918% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the State recognized pension expense of \$380.4 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's proportion was 0.507487% for certain full-time public school support personnel. For the year ended June 30, 2017, the State recognized expense of \$11.0 million.

Component Units: At June 30, 2016, the State's proportion for the TRS plan as Employer was 0.577541%, which was a increase of 0.013432% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the State recognized pension expense of \$11.3 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.

State's Proportionate Share of Deferred Outflows/Inflows of Resources

At June 30, 2017, 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	\$ 51,446	\$ 17,078	\$ 1,560	\$ 518	\$ 1,772	\$ 588
Changes of assumptions	89,505	—	2,714	—	3,083	—
Net difference between projected and actual earnings on pension plan investments	436,854	—	13,245	—	15,050	—
Changes in proportion and differences between State contributions and proportionate share of contributions	97,899	63,009	6,803	7,139	6,317	8,743
State contributions subsequent to the measurement date	276,210	—	6,152	—	9,248	—
Total	\$ 951,914	\$ 80,087	\$ 30,474	\$ 7,657	\$ 35,470	\$ 9,331



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 15 - RETIREMENT SYSTEMS (continued)

Primary Government: State contributions as employer and nonemployer subsequent to the measurement date of \$276.2 million and \$6.2 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018.

Component Units: State contributions as employer subsequent to the measurement date of \$9.2 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	Primary Government		Component Units
	State as Employer	State as Nonemployer Contributing Entity	State as Employer
2018	\$ 77,833	\$ 1,836	\$ 1,257
2019	77,833	1,836	1,257
2020	259,619	7,587	7,946
2021	173,285	5,200	6,115
2022	7,047	206	316
Thereafter	—	—	—

Peace Officers' Annuity and Benefit Fund of Georgia

State's Proportionate Share of Net Pension Liability and Pension Expense

At June 30, 2016, the State's proportion was 100% for the Peace Officers' plan for local government Peace Officers. For the year ended June 30, 2017, the State recognized expense of \$17.1 million.

State's Proportionate Share of Deferred Outflows/Inflows of Resources

At June 30, 2017, 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	\$ —	\$ 3,019
Changes of assumptions	11,129	—
Net difference between projected and actual earnings on pension plan investments	34,573	—
Changes in proportion and differences between State contributions and proportionate share of contributions	—	—
State contributions subsequent to the measurement date	14,005	—
Total	\$ 59,707	\$ 3,019



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

State contributions subsequent to the measurement date of \$14.0 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	
2018	\$ 5,732
2019	5,731
2020	18,069
2021	11,529
2022	1,622
Thereafter	—

Georgia Firefighters' Pension Fund

State's Proportionate Share of Net Pension Liability and Pension Expense

At June 30, 2016, the State's proportion was 100% for the Firefighters' plan for local government Firefighters. For the year ended June 30, 2017, the State recognized expense of \$42.9 million.

State's Proportionate Share of Deferred Outflows/Inflows of Resources

At June 30, 2017, 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	\$ 669	\$ 8,795
Changes of assumptions	42,233	—
Net difference between projected and actual earnings on pension plan investments	26,611	—
Changes in proportion and differences between State contributions and proportionate share of contributions	—	—
State contributions subsequent to the measurement date	34,152	—
Total	<u>\$ 103,665</u>	<u>\$ 8,795</u>



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

State contributions subsequent to the measurement date of \$34.2 million are reported as deferred outflows of resources and will be recognized as a reduction of the NPL in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

Year ended June 30:	
2018	\$ 6,750
2019	6,750
2020	20,574
2021	13,120
2022	5,146
Thereafter	8,378



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 15 - RETIREMENT SYSTEMS (continued)

H. Sensitivity of the State's proportionate share of the NPL/(NPA) 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/(NPA) calculated using the discount rate detailed below, as well as what the State's proportionate share of the NPL/(NPA) 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 Plan Participating Employer Contributing Entities Net Pension Liability/(Asset) 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	\$ 5,628,409	\$ 4,153,237	\$ 2,896,101	\$ 105,089	\$ 77,545	\$ 54,073
SFS	135,376	99,895	69,658	—	—	—
Total ERS Net Pension Liability	\$ 5,763,785	\$ 4,253,132	\$ 2,965,759	\$ 105,089	\$ 77,545	\$ 54,073
	(6.50)%	(7.50)%	(8.50)%			
PSERS's Net Pension Liability	\$ 299,133	\$ 188,517	\$ 95,548			
	(6.50)%	(7.50)%	(8.50)%			
GJRS's Net Pension Liability/ (Asset)	\$ 999	\$ (20,177)	\$ (38,592)			
SFS	702	(14,165)	(27,092)			
Total GJRS's Net Pension Liability/ (Asset)	\$ 1,701	\$ (34,342)	\$ (65,684)			
	(6.50)%	(7.50)%	(8.50)%	(6.50)%	(7.50)%	(8.50)%
TRS's Net Pension Liability	\$ 5,376,138	\$ 3,453,291	\$ 1,871,371	\$ 185,463	\$ 118,967	\$ 64,558
SFS	162,967	104,700	56,727	—	—	—
Total TRS's Net Pension Liability	\$ 5,539,105	\$ 3,557,991	\$ 1,928,098	\$ 185,463	\$ 118,967	\$ 64,558
	(6.00)%	(7.00)%	(8.00)%			
Peace Officers' Net Pension Liability/ (Asset)	\$ 150,657	\$ 58,463	\$ (18,138)			
	(5.00)%	(6.00)%	(7.00)%			
Firefighters' Net Pension Liability	\$ 335,923	\$ 203,479	\$ 94,347			



NOTE 15 - RETIREMENT SYSTEMS (continued)

I. 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 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.



NOTE 15 - RETIREMENT SYSTEMS (continued)

There were 39,046 plan members and 196 participating employers in the plan at June 30, 2017.

In 2017, the State's employer and employee GSEPS contributions were \$24.1 million and \$46.7 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

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the Georgia General Assembly in O.C.G.A. 47-21-1. It is administered and may be amended by the Board of Regents of the University System of Georgia (Board of Regents). A participant in the plan is an "eligible university system employee" defined as a faculty member or all exempt full and partial benefit eligible employees as designated by the regulations of the Board. Under the Plan, a plan participant may purchase annuity contracts from three approved vendors (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 institutions of the University System of Georgia make monthly employer contributions for the Regents Retirement Plan at rates determined by the Board of Regents in accordance with State statute and as advised by their independent actuary. For fiscal year 2017, 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 2017, employer and employee contributions were \$132.4 million (9.24%) and \$83.7 million (6%), respectively.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS

The State provides the following 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-OPEB- Plan)

Administered by the Board of Regents of the University System of Georgia (Board of Regents):

Board of Regents Retiree Health Benefit Fund (Regents Plan)

In addition, to the required supplementary information (RSI) following the notes to the financial statements, separate financial reports that include additional required supplementary information for the plans administered by ERS and the Board of Regents are publicly available and may be obtained from the offices that administer the plans.

A. Basis of Accounting

The financial statements of these plans are prepared using the economic resources measurement focus and 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.

B. 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. 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.

For the fiscal year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense are represented below:

<u>OPEB Plans</u>	<u>Net Annual Money- Weighted Rate</u>
State OPEB Fund	0.74%
School OPEB Fund	0.78%
SEAD-OPEB Plan	2.90%
Regents Plan	0.99%

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. These four plans have investment policies regarding the allocation of invested assets, established on a cost basis in compliance with Georgia Statute. Plan assets are managed



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

on a total return basis with a short-term objective of stability of principal while allowing for liquidity and a long-term objective of achieving and maintaining a fully funded status for the benefits provided through each OPEB plan.

C. Multiple-employer Plans Descriptions and Funding Policies

State OPEB Fund and School OPEB Fund

Plan Description: 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 Funds are administered by a Board of Community Health (Board) that is comprised of nine members, including two former State of Georgia employees and seven industry professionals. The O.C.G.A. 45-18-25 and 20-2-875, for the State and School OPEB funds respectively, assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees to the Board.

Benefits Provided: 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. Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). If elected, dependent coverage starts on the same day as retiree coverage. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted. The plan designs offered for the 2017 plan year include various plan options. For Medicare-eligible members there are Medicare Advantage plan options (UnitedHealthcare and Blue Cross and Blue Shield of Georgia) Standard and Premium Plans. Alternatively, for non-Medicare eligible members the plan options include Health Reimbursement Arrangement Plan Options (Blue Cross and Blue Shield of Georgia Gold, Silver, Bronze), Health Maintenance Organization Plan Options (Blue Cross and Blue Shield of Georgia, Kaiser Permanente, and UnitedHealthcare), and a High Deductible Health Plan Option (UnitedHealthcare).

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, other certified employees of public schools, regional educational service agencies, and non-certified public school employees. Retiree medical eligibility is attained when an employee retires, and is immediately eligible to draw a retirement annuity from Teachers Retirement System (TRS) and Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. It also pays administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted. The plan designs offered for the 2017 plan year include various plan options, which are the same options offered for the State OPEB fund as described in the previous paragraph.

Contributions: The State OPEB Fund and School OPEB Fund 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.

Additional contributions were voluntarily made in fiscal year 2017 for financing future costs associated with the OPEB liabilities. Amounts contributed to the State OPEB Fund and the School OPEB Fund were \$333.9 million and \$134.3 million, respectively.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

SEAD-OPEB Plan

Plan Description: The SEAD-OPEB Plan is a cost-sharing multiple-employer defined benefit other postemployment plan created by the 2007 Georgia General Assembly to provide term life insurance to eligible members of the ERS, JRS, and LRS. The SEAD-OPEB Plan provides benefits for retired and vested inactive members. Effective July 1, 2009, no newly hired members of any State public retirement system are eligible for term life insurance under the SEAD-OPEB Plan. The SEAD-OPEB Plan is administered by a Board of Directors that is comprised of six members, the State Auditor, State Treasurer, Department of Administrative Services Commissioner, Labor Commissioner, and two members appointed by the Governor. Pursuant to Title 47 of the O.C.G.A., benefit provisions of the plan was established and can be amended by State statute.

Benefits Provided: The SEAD-OPEB Plan provides postemployment insurance coverage on a monthly, renewable term basis, with no return premiums or cash value available to be earned. The amount of insurance for a retiree with creditable service prior to April 1, 1964, is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964, is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the retiree. 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. Administrative costs for the plan are determined based on the plan's share of overhead costs to accumulate and invest funds, actuarial services, and to process benefit payments to beneficiaries. Administrative fees are financed from the assets of the plan.

Contributions: Contributions by plan members are established by the Board of Directors, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The Board of Directors establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. There were no employer contributions required for fiscal year ended June 30, 2017. Contributions were based on actuarial valuations, and were the same amounts for 2017, 2016 and 2015, as follows:

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



NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

D. Single-employer Plan Description and Funding Policy

Regents Plan

Plan Description: The Regents Plan is a single-employer, defined benefit, postemployment healthcare plan administered by the University System Office, an organizational unit of the University System of Georgia (USG). 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. The Plan is administered by the Board of Regents that is comprised of nineteen members, all appointed by the Governor (five from state-at-large and one from each of the state's fourteen congressional districts). Benefit provisions of the plans were established and can be amended by the Board of Regents.

Benefits Provided: Pursuant to the general powers conferred by O.C.G.A. Section 20-3-31, the USG has established group health and life insurance programs for regular employees of the USG. It is the policy of the USG to permit employees of the USG eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The USG 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 USG's Plan Year 2017, the following self-insured health care options were available: Blue Choice HMO plan, Consumer Choice HSA plan (Blue Cross and Blue Shield of Georgia), and the Comprehensive Care plan (Blue Cross and Blue Shield of Georgia). The USG also offers a self-insured dental plan administered by Delta Dental.

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 USG 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.

Contributions: The contribution requirements of plan members and the employer are established and may be amended by the Board of Regents. 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 Board of Regents designation. Organizational units of the USG 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 Board of Regents for the upcoming plan year. For the 2017 plan year, the employer rate was approximately 85% of the total health insurance cost for eligible retirees, and the retiree rate was approximately 15%. The employer covers the total premium 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. For fiscal year 2017, the USG contributed approximately \$99.6 million to the plan for current premiums or claims.

Annual OPEB Cost and Net OPEB Obligation under GASB 45

The annual OPEB cost for the Regents Plan is calculated based on the annual required contribution (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, 2017**

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

The following table presents the components of the USG's annual OPEB cost, the amount actually contributed, and the changes in the net OPEB obligation for the Regents Plan for 2017, 2016, and 2015 (amount in thousands):

	Fiscal Year Ended 6/30/2017	Fiscal Year Ended 6/30/2016	Fiscal Year Ended 6/30/2015
Annual required contribution	\$ 349,900	\$ 295,200	\$ 442,400
Interest on net OPEB obligation	106,000	97,300	82,900
Adjustment to annual required contribution	(96,100)	(88,200)	(75,200)
Annual OPEB cost (expense)	359,800	304,300	450,100
Less: Contributions made	(99,600)	(111,800)	(129,800)
Increase in net OPEB obligation	260,200	192,500	320,300
Net OPEB obligation - beginning of year	2,355,900	2,163,400	1,843,100
Net OPEB obligation - end of year	<u>\$ 2,616,100</u>	<u>\$ 2,355,900</u>	<u>\$ 2,163,400</u>
Percentage of annual OPEB cost contributed	<u>27.7%</u>	<u>36.7%</u>	<u>28.8%</u>

E. Funded Status and Funding Progress under GASB 45

The funded status of each plan as of the most recent actuarial valuation date is as follows (amount if 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 Fund	6/30/2016	\$ 516,245	\$ 3,609,889	\$ 3,093,644	14.3%	\$ 2,404,901	128.6%
School OPEB Fund	6/30/2016	95,407	10,559,402	10,463,995	0.9%	10,086,189	103.7%
Regents Plan*	7/1/2016	2,899	3,068,726	3,065,827	0.1%	2,855,309	107.4%

* 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.

Actuarial valuations of the ongoing plans administered by DCH and the Board of Regents 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.



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

The funded status 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:

	State OPEB and School OPEB Funds	Regents Plan
Valuation date	6/30/2016	7/1/2016
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level percentage of pay, closed
Remaining amortization period	30 years	30 years
Asset valuation method	Market Value	Fair Value
Actuarial assumptions:		
Investment rate of return	4.50%*	4.50%**
Salary Growth	n/a	3.00%**
Salary Scale	n/a	4.00%**
Healthcare cost trend rate - initial		
Pre-Medicare eligible	7.75%	7.30%**
Medicare eligible	5.75%	7.30%**
Ultimate trend rate		
Pre-Medicare eligible	5.00%*	4.50%**
Medicare eligible	5.00%*	4.70%**
Year of ultimate trend rate		
Pre-Medicare eligible	2022	2031
Medicare eligible	2022	2072

* Includes an inflation assumption of 2.75%

** Includes an inflation assumption of 2.50%

The schedule of funding progress with multiyear trend information for the DCH and the Regents Plan is presented as required supplementary information following the notes to the financial statements. The funded status and funding progress and the related multiyear trend information for the SEAD-OPEB Plan is presented in the standalone report issued by ERS. 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.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

F. Plan Membership and Participating Employers

The following table summarizes the participating membership and participating employers at June 30, 2017:

Participating Membership by Plan

June 30, 2017

Plan Membership	State OPEB Fund	School OPEB Fund	SEAD-OPEB Plan	Regents Plan
Inactive plan members or beneficiaries currently receiving benefits	38,970	88,308	41,717	20,591
Inactive plan members entitled to but not yet receiving benefits	93	98	1,054	—
Active plan members	55,703	175,756	28,873	49,820
Total	94,766	264,162	71,644	70,411
Open to New Members (Yes/No)	Yes	Yes	No	Yes
Number of Employers	203	245	455	1

These counts treat each legal entity in the State reporting entity as one employer.

G. Net OPEB Liability/(Asset)

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, GASB 74 requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability is actuarially determined. 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 OPEB Liability (NOL)/ Net OPEB Asset (NOA), as of June 30, 2017, by Plan (amount in thousands):

Components of the Net OPEB Liability/ (Asset)	State OPEB Fund	School OPEB Fund	SEAD-OPEB Plan	Regents Plan
Total OPEB Liability	\$ 4,706,971	\$14,508,999	\$ 861,346	\$ 4,227,583
Plan Fiduciary Net Position	956,373	260,533	1,121,251	7,857
Net OPEB liability/(asset)	\$ 3,750,598	\$14,248,466	\$ (259,905)	\$ 4,219,726
Plan fiduciary net position as a percentage of the total OPEB liability	20.32%	1.80%	130.17%	0.19%



NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

H. Actuarial Methods and Assumptions

For the State OPEB fund, Schools OPEB fund, and Regents Plan, the impact of the Affordable Care Act (ACA) was addressed in the valuations. While the impact of certain provisions [such as the excise tax on high-value health insurance plans beginning in 2020 (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, 2016 and 2015 State OPEB and Schools OPEB funds valuations also included using payroll location codes and various pension plan data to exclude compensation for pension plan members ineligible for participation in the State Health Benefit Plan.

For the SEAD-OPEB Plan, 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.

Projections of benefits for financial reporting purposes for all plans 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.

Actuarial Valuation Date

The total OPEB liability at June 30, 2017, is based upon the June 30, 2016 actuarial valuation for State OPEB Fund, School OPEB Fund and the SEAD-OPEB Plan, and July 1, 2016 for the Regents Plan, using generally accepted actuarial procedures/techniques.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The total OPEB 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 and rolled forward to the measurement date:

	Actuarial Assumptions			
	State OPEB Fund	School OPEB Fund	SEAD-OPEB Plan	Regents Plan
Valuation date	6/30/2016	6/30/2016	6/30/2016	7/1/2016
Inflation	2.75%	2.75%	2.75%	2.50%
Salary increases	3.25% - 7.00%*	3.25% - 9.00%*	3.25% - 7.00%*	3.00%*
Long-term expected rate of return ¹	3.88%	3.88%	7.5%	4.5%
Initial Healthcare Cost Trend				
Pre-Medicare Eligible	7.75%	7.75%	N/A	7.3%
Medicare Eligible	5.75%	5.75%	N/A	7.3%
Ultimate Trend Rate				
Pre-Medicare Eligible	5.00%	5.00%	N/A	4.50%
Medicare Eligible	5.00%	5.00%	N/A	4.70%
Year Ultimate Trend is Reached				
Pre-Medicare Eligible	2022	2022	N/A	2031
Medicare Eligible	2022	2022	N/A	2072
Mortality		For TRS members: The RP-2000 White Collar Mortality Table projected to 2025 with projection scale BB (set forward 1 year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement. For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward 5 years for both males and females) is used for the period after disability retirement.	The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females is used for the period after service retirement and for dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.	Healthy: RP-2014 Mortality Table with Generational Improvements by Scale MP-2014 Disabled: RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females)
Actuarial experience study	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014	7/1/2009 - 6/30/2014

¹ Long-term expected rate of return is net of investment expense, including inflation

*Includes respective inflation assumption.



NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

The actuarial assumptions used in the valuations are based on the results of the most recent actuarial experience studies, which covered the five year period ending June 30, 2014. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation for the State and School OPEB funds were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Long-Term Expected Rate of Return

For all plans, the long-term expected rate of return on OPEB plan investments were determined using either a building-blocks method, or log-normal distribution analysis, in which expected future real rates of return (expected returns, net of investment expense and 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 long-term expected return on plan assets is to be reviewed as asset allocations and/or capital market assumptions change. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions to be developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.



Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

The target 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*							
	State-OPEB Fund		School-OPEB Fund		SEAD-OPEB Plan		Regents Plan	
	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*
Local Government Investment Pool	100.00%	3.88%	100.00%	3.88%	—%	— %	—%	—%
Fixed Income	—%	—%	—%	—%	30.00%	(0.50)%	60% - 70%	—%
Fixed Income - Domestic (corporate long term)	—%	—%	—%	—%	—%	— %	—%	4.20%
Fixed Income - Domestic (corporate short term)	—%	—%	—%	—%	—%	— %	—%	3.50%
Fixed Income - International	—%	—%	—%	—%	—%	— %	—%	4.90%
Equities	—%	—%	—%	—%	—%	— %	30% - 40%	—%
Domestic large equities	—%	—%	—%	—%	37.20%	9.00 %	—%	6.50%
Domestic mid equities	—%	—%	—%	—%	3.40%	12.00 %	—%	—%
Domestic small equities	—%	—%	—%	—%	1.40%	13.50 %	—%	—%
Global equities	—%	—%	—%	—%	—%	— %	—%	—%
International developed market equities	—%	—%	—%	—%	17.80%	8.00 %	—%	—%
International emerging market equities	—%	—%	—%	—%	5.20%	12.00 %	—%	—%
International equities	—%	—%	—%	—%	—%	— %	—%	7.30%
Cash	—%	—%	—%	—%	—%	— %	5.00%	2.60%
Alternatives	—%	—%	—%	—%	5.00%	10.50 %	—%	—%
Total	<u>100%</u>		<u>100%</u>		<u>100%</u>		<u>100%</u>	

* Rates shown are net of investment expense, and include the assumed rate of inflation.



NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Discount Rate

In order to measure the total OPEB liability for the State OPEB, a single equivalent interest rate of 3.60% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2116.

In order to measure the total OPEB liability for the School OPEB, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115.

The discount rate used to measure the total OPEB liability for the SEAD-OPEB Plan was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member insurance premiums will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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 investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Projected future benefit payments for all current plan members were projected through 2110.

In order to measure the total OPEB liability for the Regents Plan, a yield or index rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.58% per the Bond Buyers Index). Assumed contributions are based on the contribution policy, and projected total contributions are the pay as you go costs of the plan. The current contribution policy is not designed to pre-fund the plan, and the unfunded liability is not expected to be paid off at any point in the future. Projected future benefit payments for all current plan members were projected through 2115.



**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017**

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following schedule summarizes the NOL/(NOA) of the employers. The NOL/(NOA) is calculated using the determined discount rate as well as what the NOL/(NOA) 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 Contributing Entities Net OPEB Liability/(Asset) to Changes in the Discount Rate

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	(2.6)%	(3.6)%	(4.6)%
State OPEB Liability	<u>\$ 4,508,736</u>	<u>\$ 3,750,598</u>	<u>\$ 3,145,435</u>
	(2.58)%	(3.58)%	(4.58)%
School OPEB Liability	<u>\$ 16,920,503</u>	<u>\$ 14,248,466</u>	<u>\$ 12,139,480</u>
	(6.50)%	(7.50)%	(8.50)%
SEAD-OPEB Plan (Asset)	<u>\$ (142,257)</u>	<u>\$ (259,905)</u>	<u>\$ (356,322)</u>
	(2.58)%	(3.58)%	(4.58)%
Regents OPEB Liability	<u>\$ 5,040,938</u>	<u>\$ 4,219,726</u>	<u>\$ 3,579,535</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trends

The following schedule summarizes the NOL/(NOA) of the employers. The NOL/(NOA) is calculated using the determined healthcare cost trends as well as what the NOL/(NOA) would be if it were calculated using healthcare cost trends that are 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 Contributing Entities Net OPEB Liability/(Asset) to Changes in Healthcare Cost Trends

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trends</u>	<u>1% Increase</u>
State OPEB Liability	<u>\$ 3,080,908</u>	<u>\$ 3,750,598</u>	<u>\$ 4,597,311</u>
School OPEB Liability	<u>\$ 11,807,079</u>	<u>\$ 14,248,466</u>	<u>\$ 17,426,794</u>
SEAD-OPEB Plan (Asset)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Regents OPEB Liability	<u>\$ 3,559,505</u>	<u>\$ 4,219,726</u>	<u>\$ 5,091,997</u>



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 450 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 University System of Georgia (USG) 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 Board of Regents (BOR) and its organizational units. A self-insured program of professional liability for its employees was established by the BOR of the USG under powers authorized by the O.C.G.A 45-9-1. All units of the USG 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, 2017

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, 2017, of \$651.5 million both for workers' compensation and liability was charged back to the contributing funds. Expenditures of \$464.4 million are reported in the General Fund, and expenses of \$187.1 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, 2017, and 2016, is shown below (amount in thousands):

	Public Entity Risk Pool		Board of Regents Employee Health Benefits Plan		Risk Management Fund	
	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Unpaid Claims and Claim Adjustments July 1	\$ 180,539	\$ 176,906	\$ 50,978	\$ 36,497	\$ 639,843	\$ 607,719
Current Year Claims and Changes in Estimates	2,158,188	2,013,443	383,406	385,415	241,852	184,295
Claims Payments	(2,120,983)	(2,009,810)	(382,696)	(370,934)	(144,572)	(152,171)
Unpaid Claims and Claim Adjustments June 30	\$ 217,744	\$ 180,539	\$ 51,688	\$ 50,978	\$ 737,123	\$ 639,843



NOTE 18 - TAX ABATEMENT

As of June 30, 2017, the State had three tax abatement programs, the Mega Project Tax Credit, the Tourism Development Act, and Projects that were designated as a Competitive Project of Regional Significance. However, given the limited number of recipients under each of these programs, the State is legally prohibited from disclosing detailed information relating to the tax abatement programs and amounts abated.

A. *Tax Abatement Programs*

Mega Project Tax Credit

The Mega Project Tax Credit provides tax abatements to encourage job creation under Official Code of Georgia (O.C.G.A.) §48-7-40.24. This abatement is obtained through application by the business enterprise and certification by a panel composed of the commissioner of community affairs, the commissioner of economic development, and the director of the Office of Planning and Budget. In order to receive the tax abatements projects must create a certain level of new full-time employee jobs with average wages above a percentage of average wage projects within the County, and meet other requirements. The tax abatement equals \$5,250 per new eligible full-time employee job for five years beginning with the year in which such job is created through year five after such creation; provided, however, that where the amount of such credit exceeds a business enterprise's liability for such taxes in a taxable year, the excess may be taken as a credit against such business enterprise's quarterly or monthly tax payment. Additionally, there are various recapture provisions such as forfeiting the right to the claim or a percentage of the credit, with allowances for relief from recapture based on certain major events.

Tourism Development Act

The Tourism Development Act provides tax abatements to encourage the creation of tourism attractions or expansion of existing tourism attractions under O.C.G.A. §48-8-270. This abatement is obtained through the discretion of the commissioner of economic development and the commissioner of community affairs, in consideration of the execution of the agreement and subject to the approved company's compliance with the terms of the agreement. The term of the agreement granting the tax abatement (sales and use tax refund for new projects or an incremental sales and use tax refund for expansions of existing tourism attractions) is ten years, commencing on the date the tourism attraction opens for business and begins to collect sales and use taxes or, for an expansion, the date construction is complete. Additionally, there are various recapture provisions if an approved company fails to abide by the terms of the agreement, such as voiding of the agreement and all sales and use tax proceeds that were refunded shall becoming immediately due and payable back to the State.

Competitive Project of Regional Significance

The Competitive Project of Regional Significance designation provides tax abatements to a business enterprise whose location or expansion of some or all of the operations in this state would have a significant regional impact under O.C.G.A. §48-8-3 (93)(D). This abatement is obtained in accordance with the regulations promulgated by the commissioner of economic development. The tax abatement indicates that sales and use taxes levied by or imposed by the State shall not apply to sales of personal property used for and in the construction of these designated projects.

B. *Legal Prohibition*

The State is legally prohibited from providing more detailed information relating to the tax abatement programs and amounts abated. The restrictions relating to reporting of confidential income tax information and other tax types are generally covered under O.C.G.A. §48-7-60 and §48-2-15, respectively.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 19 - 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. The Court of Appeals determined that it did not have jurisdiction and remanded the case back to the Superior Court of Fulton County. In February 2017, DCH filed a Motion to Set Aside, asking the Superior Court to set aside its original order denying DCH’s Motion to Dismiss and either: (1) enter a new order granting the Motion to Dismiss based on the reasoning found in the vacated Court of Appeals decision, or (2) re-enter the order denying the Motion to Dismiss and grant DCH a Certificate of Immediate Review. In March 2017, Plaintiff filed a Second Amended Complaint adding, in the alternative, a claim for mandamus relief against the DCH board members. The Superior Court set aside the original Order denying the Motion to Dismiss but allowed Plaintiff until November 3, 2017 to conduct limited discovery on the threshold issue as to the existence of a written contract. On November 8, 2017, Plaintiff filed a Third Amended Complaint which added additional paragraphs and an exhibit, but did not change the counts of the Second Amended Complaint. On November 28, 2017, DCH filed a Motion for Partial Summary Judgment as to the breach of contract claims and a separate Motion to Dismiss the mandamus claim. A hearing on dispositive motions will be set for mid-January 2018. 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



NOTE 19 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

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.

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 \$39.1 million as of June 30, 2017. All of these loans are for home mortgages in the State of Georgia. Economic conditions in Georgia have a direct impact on foreclosures and the 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. GHFA could incur a higher rate of foreclosure and a higher rate of loss on foreclosed loans as a result of the decline in the value of its underlying collateral on uninsured loans. If the economy declines, GHFA could also 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 GHFA’s ability to repay its outstanding bonds.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 19 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

D. Other Significant Commitments

Primary Government

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, 2017, the fund balances of the primary government include encumbrances of \$4.9 billion.

Board of Regents (Higher Education Fund) had significant, unearned, outstanding construction or renovation contracts executed in the amount of \$90.5 million as of June 30, 2017. 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 \$115.9 million as of June 30, 2017. 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 \$353.8 million as of June 30, 2017.

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 \$243.5 million as of June 30, 2017.

On April 21, 2017, GTA entered into an agreement with New South Construction - Building the Georgia Cyber Innovation & Training and Parking Garage in Augusta, Ga. This agreement is a one year contract for a total contract amount of \$12.5 million, and a remaining balance of \$12.5 million as of June 30, 2017.

State Road and Tollway Authority has contractual commitments on uncompleted contracts of \$577.9 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, 2017, Employees' Retirement System of Georgia had committed to fund certain private equity partnerships for a total capital commitment of \$397.8 million. Of this amount, \$261.1 million remained unfunded and is not recorded on ERS Combining Statement of Fiduciary Net Position.

Component Units

Contractual Commitments

As of June 30, 2017, Georgia Environmental Finance Authority (GEFA) had commitments to fund projects, excluding the undisbursed portion of loans in process, totaling \$74.8 million.

As of June 30, 2017, Georgia Ports Authority (GPA) had commitments for construction projects of approximately \$35.6 million.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 19 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

In August 2007, 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 as of June 30, 2017, was approximately \$149.2 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 GPA in the amount of \$35.5 million, of which GPA had paid \$4.5 million through the year ended June 30, 2017, 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.

In fiscal year 2017, 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 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 Dome club seat holders.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 19 - LITIGATION, CONTINGENCIES, AND COMMITMENTS (continued)

The Georgia Lottery Corporation (GLC) proceeds are committed to fund specific education programs: 1) Tuition grants, scholarships or loans to undergraduate college students for attendance at eligible Georgia colleges, universities, or technical colleges; 2) The Georgia Prekindergarten Program for all 4-year-olds; and 3) capital outlay projects including computer and other technological upgrades for schools, technical institutes, colleges and universities in the state. Transfers from GLC to the state treasury for these purposes totaled \$1.1 billion for the year ended June 30, 2017.

University System Foundations

As of June 30, 2017, the University of Georgia Athletic Association Inc. had commitments for construction projects of approximately \$66.5 million.

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, 2017, the total commitment for all contracts is:

June 30, 2018 -	\$8.2 million
June 30, 2019 -	\$8.3 million
June 30, 2020 -	\$8.4 million
June 30, 2021 -	\$3.6 million
June 30, 2022 -	\$2.2 million
Total	<u>\$30.7 million</u>



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 20 - SUBSEQUENT EVENTS

A. Primary Government

Long-term Debt Issues

General Obligation Bonds Issued

In June 2017, the State sold General Obligation bonds in the total amount of \$1.0 billion for delivery on July 18, 2017, 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>
2017A	\$ 767.6
2017B	273.4
Total	\$ 1,041.0

The true interest cost on the 2017AB bonds was 2.76% and the average life is 10.435 years.

General Obligation Refunding Bonds

In June 2017, the State sold General Obligation refunding bonds in the total amount of \$348.6 million for delivery on July 18, 2017. This refunding issue refinanced \$385.9 million of the State's outstanding general obligation bonds at lower rates. The true interest cost on the Series 2017C refunding bonds was 1.897827% and the average life is 6.394 years.



Notes to the Financial Statements For the Fiscal Year Ended June 30, 2017

NOTE 20 - SUBSEQUENT EVENTS (continued)

Revenue Bonds

On August 1, 2017, State Road and Tollway Authority (SRTA) issued \$349.8 million of Guaranteed Revenue and Grant Application Revenue Vehicle (GARVEE) bonds. Including bond premiums in the amount of \$38.6 million, the bond proceeds amounted to \$388.4 million. The bonds were issued for the purposes of financing a portion of the cost of planning, design, engineering, acquisition and construction of two express lanes for certain segments of Interstate Highway 285, refund callable maturities of SRTA bonds, and pay the costs of issuance. Interest on these bonds is payable semiannually on June 1 and December 1 of each year and mature on June 1, 2029:

Series	Amount (in millions)
2017A	\$ 63.9
2017B	285.9
Total	\$ 349.8

The true interest cost on the 2017AB bonds was 1.65% and the average life is 3.388 years.

Single Family Mortgage Bonds

On September 14, 2017, Georgia Housing and Finance Authority (GHFA) issued \$94.7 million of the State's Single Family Mortgage Bonds, Series 2017B. Including bond premiums in the amount of \$2.2 million, the bond proceeds amounted to \$96.9 million. The bonds were issued for the purposes of mortgage purchase and down payment loans for purchase of single family, owner-occupied housing located within the State. Interest on these bonds is payable semiannually on June 1 and December 1 of each year with interest rates between 4.375% and 4.75%. These bonds mature on December 1, 2047. These bonds are secured by first liens on single family, owner-occupied housing in the State.

Other Subsequent Events

Cyber Insurance Coverage

Department of Administrative Services (DOAS) engaged with an insurance broker to develop an underwriting submission to present to the commercial insurance underwriters. The underwriting submission engagement is for the development of a cyber insurance product for direct loss and out of pocket expenses incurred as a result of damage to data, systems or income defense and liability incurred as a result of employees' actions. DOAS Risk Management Services will manage the insurance product with assistance from Georgia Technology Authority (GTA).

Cyber insurance products are for all Constitutional Officers and executive branch agencies except the Department of Education. DOAS procured \$100.0 million in cyber insurance coverage, broken up into 10 layers of insurance limits. XL Capital, as the lead underwriter, will provide the primary layer of \$10.0 million coverage. Six additional underwriters will provide the remaining nine layers of coverage. The policy will have a per incident retention (deductible) of \$0.3 million. DOAS Risk Management Services will provide a self-insurance product to the Agencies for a per incident retention up to an annual aggregate limit of \$1.0 million.



NOTE 20 - SUBSEQUENT EVENTS (continued)

Georgia Secure Deposit Program

Office of the State Treasurer (OST) worked with the Georgia Bankers Association and a group of banks holding a majority of public deposits in the State to support legislation establishing a multibank pledging pool designed to reduce the level of required collateral necessary to secure public deposits by providing a contingent liability pledge by all participating banks. In 2016, the Governor signed legislation establishing the Georgia Secure Deposit Program (SDP) Policy administered by OST. The SDP was implemented on July 1, 2017. OST contracted with the Georgia Bankers Association to assist in administering the SDP.

Under the SDP, lower collateral pledging requirements are augmented by a contingent liability commitment from banks participating in the SDP. Through the contingent liability pledge, any loss of funds to Georgia public depositors will be recovered by OST assessing banks participating in the SDP. The amount of loss coverage owed by any non-defaulting bank in the pool is to be determined on a pro-rata basis of covered deposits.

Georgia Regional Transportation Authority

On July 1, 2017, SRTA began transit operations to include the Xpress commuter bus service and administration of the Vanpool program that were previously operated by the Georgia Regional Transportation Authority. SRTA may receive property transfers from the Georgia Department of Transportation during fiscal year 2018 related to transit operations.

Georgia Department of Community Health

Judith Kelly, et al. v. Board of Community Health - Plaintiffs, who seek class action status, are retired state employees, public school teachers, or public school employees, and are enrolled in the health insurance plans administered by the State Health Benefit Plan ("SHBP"). Plaintiffs have brought suit for breach of contract asserting that retroactive modifications to the subsidy policy and employee contribution rates provided to active state employees and certain retired employees had the effect of breaching the Plaintiffs' alleged contracts with SHBP. On December 8, 2011 the Board of Community Health approved a policy modifying the subsidies for certain retired employees based on employee years of service. Plaintiffs assert this policy is a breach of an alleged contract to provide health insurance to retired employees. Plaintiffs seek monetary damages, a writ of mandamus to require the application of the full subsidy to the purported class members, plus attorneys' fees. The State intends to file a Motion to Dismiss the Complaint. 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. Fulton County Superior Court Civil Case No. 2017-CV-298686, filed December 4, 2017, Judge Thomas Cox.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 20 - SUBSEQUENT EVENTS (continued)

B. Component Units

Other Subsequent Events

USG Foundation, Inc. and Affiliates

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.

In December 2017, the USG Real Estate V, LLC purchased the SGSC Tiger Village I (student housing dormitory), Tiger Village 2 (student housing dormitory), Clower Hall (student center) and dining hall and related amenities from the South Georgia State College Foundation for \$31.0 million by issuing a two year interest only bond anticipation note (BAN) payable. At maturity, the BAN payable will be refinanced with a 30 year low interest fixed rate USDA loan. The real estate on which the facilities are constructed will be leased to USG Real Estate Foundation, LLC by the Board of Regents pursuant to a ground lease for minimal rent. The terms of the BAN payable require the USG Real Estate Foundation V, LLC to lease the related facilities to the Board of Regents through annual rental agreements that have multiple year renewal options. The lease payments received by USG Real Estate V, LLC are used to maintain the properties, pay interest on the note, and retire the debt. Through the rental agreement with the USG Real Estate Foundation, South Georgia State College will realize a savings of \$5.1 million over the life of the agreement.

Georgia Southern University Housing Foundation, Inc. & Subsidiaries

Subsequent to June 30, 2017, the Development Authority of Bulloch County issued Refunding Revenue Bonds, Series 2017 on behalf of Georgia Southern University Housing Foundation Four, LLC (GSUHF4) in the amount of \$48.8 million. The proceeds of the bond will refund Student Housing Lease Revenue Bonds, Series 2008, as well as pay the cost of issuing the Series 2017 Bonds. The Series 2017 Bonds bear interest at stated interest rates of 3% to 5% through their maturity on July 1, 2038. Upon the issuance of refunding bonds, GSUHF4 modified the rental agreement to pass through the economic benefit of the refunding to the Board of Regents.

Georgia State University Foundation, Inc.

The Georgia State University Foundation (Foundation) received a donor restricted contribution for the benefit of the Intercollegiate Athletics program in the amount of \$10.0 million for naming rights of the new football field. In accordance with the Foundation's gift acceptance policy, the gift required Board of Regents approval prior to acceptance. In August 2017, the contribution was approved and recorded as revenue.

On August 30, 2017, the outstanding balance of the Panther Place, LLC Series 2009 A & B bonds were refunded by a new fixed-rate bond issuance. Revenue bonds of \$57.0 million (tax-exempt \$49.3 million and taxable \$7.8 million) plus premium of \$6.5 million were issued by the ADA on behalf of the Foundation. Principal payments are to be made annually starting July 1, 2018 and ending July 1, 2036. Interest is to be paid semi-annually starting January 1, 2018 at a rate specified in the revenue bonds ranging from 1.575% to 5%.

On August 30, 2017, the outstanding balance of the GPC Foundation Real Estate Newton, LLC Series 2005 bonds were refunded by a new fixed-rate bond issuance. Tax-exempt Revenue bonds of \$15.9 million plus premium of \$2.0



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 20 - SUBSEQUENT EVENTS (continued)

million were issued by the Newton County Industrial Development Authority on behalf of the Foundation. Principal payments are to be made annually starting June 1, 2018 and ending June 1, 2035. Interest is to be paid semi-annually starting December 1, 2017 at a rate specified in the revenue bonds ranging from 3% to 5%.

Georgia Institute of Technology

In December 2017, the Board of Regents of the University System of Georgia, on behalf of the Georgia Institute of Technology, entered into a lease agreement with Georgia Tech Cobb Research Campus, LLC, a wholly-owned subsidiary of Georgia Advanced Technology Ventures for the Georgia Tech Cobb Research Campus. This facility will be used by the Georgia Tech Research Institute for ongoing research. The lease term is for 31.5 years with rental payments beginning in December 2017. The Institute will pay estimated total rent on a monthly basis of \$127.9 million over the 31.5 year period. The rental payment includes annual base rent and annual repair and replacement contribution. Total rental payments for the first year are expected to equal \$1.2 million.

MCG Health System, Inc. d/b/a Augusta University Health System

Subsequent to June 30, 2017, Standard and Poor's updated its rating of Augusta University Medical Center (AUMC) to BBB. This change in rating reduces the threshold above which the Swap counterparties may request collateral to be posted. As of June 30, 2017, the additional amount of collateral that could have been requested under the new thresholds would have been \$20.0 million.

University of Georgia Research Foundation, Inc.

On September 6, 2017, the Development Authority of Athens-Clarke County, Georgia (Development Authority) entered into an agreement with the Coverdell Entity to early extinguish \$18.8 million of outstanding 2013 Coverdell Bonds with interest rates ranging from 3% to 5% pursuant to the transfer of the Coverdell Entity facility to the University of Georgia (University). The Coverdell Entity received \$21.2 million from the University to complete the extinguishment, transfer of the facility to the University, and early terminate the air rights lease and capital lease agreements related to the project.

On September 14, 2017, the Development Authority issued \$15.2 million in Revenue Refunding Bonds (UGAREF PAC Parking Deck, LLC Project), Series 2017 (the "2017 PAC Bonds") with interest rates ranging from 2% to 5% and entered into a loan agreement with the PAC Entity to advance refund \$14.8 million of outstanding 2009 Educational Facilities Revenue Bonds with interest rates ranging from 3.625% to 5%. Payment of principal and interest under the 2017 PAC Bonds is secured by certain real property constituting two parking decks, and by the PAC Entity's interest in certain rents and leases derived from these facilities.



REQUIRED SUPPLEMENTARY INFORMATION



Required Supplementary Information

Budgetary Comparison Schedule

Budget Fund

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	<u>Original Appropriation</u>	<u>Amended Appropriation</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Funds Available					
State Appropriation					
State General Funds	\$ 20,427,864	\$ 20,939,644	\$ 20,939,644	\$ 20,938,634	\$ 1,010
State Motor Fuel Funds	1,660,064	1,747,347	1,747,347	1,747,347	—
Lottery Proceeds	1,073,564	1,073,563	1,073,563	1,073,563	—
Tobacco Settlement Funds	124,491	124,491	124,491	124,491	—
Brain and Spinal Injury Trust Fund	1,326	1,326	1,326	1,326	—
Nursing Home Provider Fees	167,969	170,903	156,746	156,746	—
Hospital Provider Fee	283,993	288,221	285,830	285,830	—
State Funds - Prior Year Carry-Over					
State General Fund Prior Year	—	—	145,565	160,510	(14,945)
Brain and Spinal Injury Trust Fund - Prior Year	—	—	913	1,289	(376)
State Motor Fuel Funds - Prior Year	—	—	251,153	1,518,355	(1,267,202)
Federal Funds					
CCDF Mandatory & Matching Funds	97,827	97,618	87,736	87,736	—
Child Care and Development Block Grant	127,918	127,918	132,656	129,166	3,490
Community Mental Health Services Block Grant	14,164	14,164	17,364	15,632	1,732
Community Services Block Grant	16,735	16,946	28,530	23,330	5,200
Federal Highway Administration - Highway Planning and Construction	1,526,297	1,535,096	1,622,198	1,361,734	260,464
Foster Care Title IV-E	93,370	93,128	90,898	89,709	1,189
Low-Income Home Energy Assistance	56,630	56,001	55,059	54,786	273
Maternal and Child Health Services Block Grant	16,884	16,884	20,038	15,097	4,941
Medical Assistance Program	6,970,587	7,025,528	7,899,898	7,355,567	544,331
Prevention and Treatment of Substance Abuse Block Grant	47,733	47,734	66,491	60,126	6,365
Preventive Health and Health Services Block Grant	2,403	2,403	7,086	6,133	953
Social Services Block Grant	93,257	52,741	114,561	104,636	9,925
State Children's Insurance Program	458,303	458,303	472,356	426,011	46,345
Temporary Assistance for Needy Families Block Grant	346,585	323,323	357,309	340,048	17,261
TANF Transfer to SSBG	7,649	7,494	2,975	2,975	—
Federal Funds Not Itemized	3,805,136	3,787,896	4,683,065	4,130,262	552,803
American Recovery and Reinvestment Act of 2009					
Medical Assistance Program	—	—	45,130	35,764	9,366
Federal Funds Not Itemized	88,454	13,829	63,686	75,505	(11,819)
Other Funds	9,997,201	10,260,044	13,231,583	13,131,864	99,719
Total Funds Available	47,506,404	48,282,545	53,725,197	53,454,172	271,025
Expenditures					
Georgia Senate	11,003	11,003	11,392	10,209	1,183
Georgia House of Representatives	19,362	19,362	22,207	18,849	3,358
Georgia General Assembly Joint Offices	11,161	11,164	11,478	10,681	797
Audits and Accounts, Department of	36,180	35,997	36,505	36,292	213
Appeals, Court of	20,539	20,559	20,908	20,908	—
Judicial Council	17,404	18,224	19,525	19,326	199
Juvenile Courts	7,542	7,610	7,686	7,660	26
Prosecuting Attorneys	79,298	79,019	109,263	101,171	8,092
Superior Courts	72,105	72,094	72,161	72,158	3
Supreme Court	13,862	13,832	14,464	14,464	—
Accounting Office, State	30,014	30,018	34,760	34,412	348
Administrative Services, Department of	202,298	206,600	332,566	228,938	103,628
Agriculture, Department of	56,854	53,282	62,045	60,404	1,641
Banking and Finance, Department of	12,698	12,701	14,932	14,863	69
Behavioral Health & Developmental Disabilities, Department of	1,207,537	1,216,982	1,312,460	1,284,807	27,653
Community Affairs, Department of	281,235	378,454	378,694	374,297	4,397
Community Health, Department of	14,365,986	14,508,862	16,857,605	14,333,515	2,524,090
Community Supervision, Department of	160,529	171,741	176,183	175,169	1,014

(continued)



Required Supplementary Information

Budgetary Comparison Schedule

Budget Fund

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Expenditures					
Corrections, Department of	1,136,081	1,175,816	1,231,832	1,231,577	255
Defense, Department of	68,036	68,034	82,350	78,455	3,895
Driver Services, Department of	70,517	71,731	74,190	74,007	183
Early Care and Learning, Department of	792,213	803,146	794,723	783,968	10,755
Economic Development, Department of	106,299	106,791	173,000	133,209	39,791
Education, Department of	11,015,568	10,983,335	11,261,948	11,006,170	255,778
Employees' Retirement System of Georgia	54,148	54,396	54,396	52,364	2,032
Forestry Commission, State	49,388	59,507	65,402	65,381	21
Governor, Office of the	89,494	104,414	265,178	228,305	36,873
Human Services, Department of	1,775,575	1,780,695	1,928,421	1,845,323	83,098
Insurance, Department of	21,448	21,163	22,035	21,989	46
Investigation, Georgia Bureau of	206,727	244,628	282,342	244,282	38,060
Juvenile Justice, Department of	334,149	337,831	366,545	352,689	13,856
Labor, Department of	132,595	132,736	135,953	132,256	3,697
Law, Department of	71,910	71,916	100,473	99,056	1,417
Natural Resources, Department of	249,233	291,673	383,896	314,567	69,329
Pardons and Paroles, State Board of	17,258	16,763	16,985	16,847	138
Properties Commission, State	1,750	6,480	6,480	6,352	128
Public Defender Council, Georgia	52,239	89,639	90,739	88,860	1,879
Public Health, Department of	671,754	683,426	1,042,597	868,583	174,014
Public Safety, Department of	205,390	248,036	261,344	250,323	11,021
Public Service Commission	10,463	10,465	10,949	10,948	1
Regents, University System of Georgia	7,233,449	7,378,052	8,124,553	7,401,831	722,722
Revenue, Department of	184,552	203,430	208,437	208,281	156
Secretary of State	29,345	29,247	31,531	30,887	644
Student Finance Commission and Authority, Georgia	808,665	827,263	833,017	784,252	48,765
Teachers' Retirement System	36,687	38,693	38,693	36,302	2,391
Technical College System of Georgia	791,482	774,436	804,376	747,590	56,786
Transportation, Department of	3,401,227	3,515,991	4,131,625	3,503,890	627,735
Veterans Service, Department of	39,202	39,295	45,374	44,564	810
Workers' Compensation, State Board of	21,098	21,113	21,113	18,954	2,159
State of Georgia General Obligation Debt Sinking Fund	1,222,855	1,224,900	1,339,866	1,198,621	141,245
Total Expenditures	47,506,404	48,282,545	53,725,197	48,698,806	5,026,391
Excess of Funds Available over Expenditures	\$ —	\$ —	\$ —	\$ 4,755,366	\$ (4,755,366)



Required Supplementary Information

Budget to GAAP Reconciliation

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	General Fund
Sources/Inflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Funds Available" from the budgetary comparison schedule	\$ 53,454,172
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.	(9,503,374)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	24,447,461
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(24,327,938)
<i>Basis Differences:</i>	
Accrual of taxpayer assessed receivables and revenues.	218,637
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(68,410)
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(3,895,926)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(513,374)
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.	(117,187)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(183,844)
Revenue reported for nonbudgetary food stamp program and donated commodities.	2,710,885
Revenue reported for on-behalf payments related to pensions.	56,111
Other net accrued receivables and revenues.	(52,521)
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 42,224,692
	(continued)



Required Supplementary Information

Budget to GAAP Reconciliation

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	General Fund
Uses/Outflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	\$ 48,698,806
Differences - budget to GAAP	
<i>Perspective Differences:</i>	
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(11,821,678)
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	103,925
<i>Basis Differences:</i>	
Accrual of teacher salaries not included in current budget year.	57,720
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	35,155
Change in expenditure accrual for nonbudgetary Medicaid claims	(46,900)
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.	(169,821)
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(513,374)
Expenditures reported for nonbudgetary food stamp program and donated commodities.	2,710,885
Expenditures reported for on-behalf payments related to pensions.	56,111
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(331,103)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,606,103)
Other net accrued liabilities and expenditures.	46,348
Total Expenditures (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 37,219,971



Required Supplementary Information

Notes to Required Supplementary Information

Budgetary Comparison

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

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.



Required Supplementary Information

Notes to Required Supplementary Information

Budgetary Comparison

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

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, 2017, 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
Public Entity Risk Pool
For the Fiscal Year Ended June 30, 2017
(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.

	Fiscal and Policy Year Ended				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
(1) Required contribution and investment revenue earned (fiscal year)	\$ 2,366,054	\$ 2,434,392	\$ 2,267,667	\$ 2,145,197	\$ 2,271,697
(2) Unallocated expenses	100,532	150,939	155,501	144,515	140,450
(3) Estimated claims and expenses, end of policy year, net incurred	2,074,390	1,880,541	1,882,588	2,013,443	2,158,188
(4) Net paid (cumulative) as of:					
End of policy year	1,919,597	1,758,032	1,708,902	1,847,202	2,052,213
One year later	2,223,219	1,931,895	1,871,509	1,915,972	
Two years later	2,223,219	1,931,895	1,871,509		
Three years later	2,223,219	1,931,895			
Four years later ⁽¹⁾	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	2,158,188
One year later	2,068,566	1,879,800	1,871,599	1,915,823	
Two years later	2,014,054	1,934,321	1,871,599		
Three years later	2,019,869	1,934,321			
Four years later ⁽¹⁾	2,019,869				
(6) Increase (decrease) in estimated net incurred claims and expenses from the end of policy year	\$ (54,521)	\$ 53,780	\$ (10,989)	\$ —	

⁽¹⁾Data not available prior to fiscal year 2013

REQUIRED SUPPLEMENTARY INFORMATION -
PENSIONS



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 ¹	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%
	6/30/2017	624,623	625,281	(658)	2,565,918	24.37%
Public School Employees Retirement System ²	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
	6/30/2017	26,277	26,277	—	N/A	N/A
Georgia Judicial Retirement System	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%
	6/30/2017	6,684	6,684	—	59,695	11.20%
Teachers Retirement System of Georgia	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%
	6/30/2017	1,654,844	1,654,844	—	11,596,664	14.27%
Peace Officers' Annuity and Benefit Fund of Georgia	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
	6/30/2017	12,651	14,005	(1,354)	N/A	N/A
Georgia Firefighters' Pension Fund	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	10,703	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
	6/30/2017	28,987	34,152	(5,165)	N/A	N/A

This data, except for annual covered payroll, was provided by each plan's actuary.

¹ An employer group within ERS did not contribute the full actuarially determined contribution. This employer is making additional contributions to repay this shortfall.

² 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 Four Fiscal Years
(dollars in thousands)

	2017	2016	2015	2014
Employees' Retirement System:				
Total pension liability	\$ 17,159,634	\$ 17,103,987	\$ 17,019,362	\$ 17,042,149
Plan fiduciary net position	13,098,299	12,373,567	12,967,964	13,291,531
Employers' and nonemployers' net pension liability	<u>\$ 4,061,335</u>	<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	76.33 %	72.34 %	76.20 %	77.99 %
Covered payroll	2,565,918	2,390,457	2,353,225	2,335,773
Employers' and nonemployers' net pension liability as a percentage of covered payroll	158.28 %	197.89 %	172.16 %	160.57 %
Public School Employees Retirement System:				
Total pension liability	\$ 1,013,163	\$ 992,292	\$ 946,200	\$ 930,745
Plan fiduciary net position	868,134	803,775	823,150	821,733
Employers' and nonemployers' net pension liability	<u>\$ 145,029</u>	<u>\$ 188,517</u>	<u>\$ 123,050</u>	<u>\$ 109,012</u>
Plan fiduciary net position as a percentage of the total pension liability	85.69 %	81.00 %	87.00 %	88.29 %
Covered payroll	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A
Georgia Judicial Retirement System:				
Total pension liability	\$ 394,736	\$ 368,669	\$ 357,081	\$ 350,443
Plan fiduciary net position	441,182	403,011	404,852	400,790
Employers' and nonemployers' net pension (asset)	<u>\$ (46,446)</u>	<u>\$ (34,342)</u>	<u>\$ (47,771)</u>	<u>\$ (50,347)</u>
Plan fiduciary net position as a percentage of the total pension liability	111.77 %	109.32 %	113.38 %	114.37 %
Covered payroll	59,695	57,401	54,272	54,787
Employers' and nonemployers' net pension (asset) as a percentage of covered payroll	(77.81)%	(59.84)%	(88.02)%	(91.90)%
Teachers Retirement System:				
Total pension liability	\$ 89,926,280	\$ 86,183,526	\$ 82,023,118	\$ 79,099,772
Plan fiduciary net position	71,340,972	65,552,411	66,799,111	66,466,091
Employers' and nonemployers' net pension liability	<u>\$ 18,585,308</u>	<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	79.33 %	76.06 %	81.44 %	84.03 %
Covered payroll	11,596,664	11,075,907	10,697,384	10,349,862
Employers' and nonemployers' net pension liability as a percentage of covered payroll	160.26 %	186.27 %	142.32 %	122.07 %
Peace Officers' Annuity and Benefit Fund of Georgia:				
Total pension liability	\$ 743,361	\$ 747,459	\$ 720,213	\$ 674,725
Plan fiduciary net position	754,614	689,022	703,536	698,889
Employers' and nonemployers' net pension liability/(asset)	<u>\$ (11,253)</u>	<u>\$ 58,437</u>	<u>\$ 16,677</u>	<u>\$ (24,164)</u>
Plan fiduciary net position as a percentage of the total pension liability	101.51 %	92.18 %	97.68 %	103.58 %
Covered payroll	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability/ (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A
Georgia Firefighters' Pension Fund:				
Total pension liability	\$ 1,007,205	\$ 970,157	\$ 923,835	\$ 848,314
Plan fiduciary net position	843,414	766,678	767,333	761,115
Employers' and nonemployers' net pension liability	<u>\$ 163,791</u>	<u>\$ 203,479</u>	<u>\$ 156,502</u>	<u>\$ 87,199</u>
Plan fiduciary net position as a percentage of the total pension liability	83.74 %	79.03 %	83.06 %	89.72 %
Covered payroll	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	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 Four Fiscal Years
(dollars in thousands)**

	2017	2016	2015	2014
Employees' Retirement System:				
Total pension liability:				
Service cost	\$ 125,910	\$ 143,043	\$ 145,045	\$ 150,075
Interest	1,230,175	1,225,650	1,227,846	1,224,380
Benefit changes	30,563	—	—	—
Differences between expected and actual experience	72,315	(238)	(53,950)	—
Changes of assumptions	—	70,890	—	—
Benefit payments	(1,394,283)	(1,347,633)	(1,334,278)	(1,305,998)
Refunds of contributions	(9,033)	(7,087)	(7,450)	(8,757)
Net change in total pension liability	55,647	84,625	(22,787)	59,700
Total pension liability—beginning	17,103,987	17,019,362	17,042,149	16,982,449
Total pension liability—ending (a)	17,159,634	17,103,987	17,019,362	17,042,149
Plan fiduciary net position:				
Contributions—employer	613,191	583,082	505,668	418,807
Contributions—nonemployer	12,080	12,484	12,495	10,945
Contributions—member	35,863	31,961	33,713	32,423
Administrative expense allotment	10	10	10	—
Net investment income	1,475,626	141,292	474,147	2,021,748
Benefit payments	(1,394,283)	(1,347,633)	(1,334,278)	(1,305,998)
Administrative expense	(8,732)	(8,506)	(7,872)	(7,440)
Refunds of contributions	(9,033)	(7,087)	(7,450)	(8,757)
Other	10	—	—	—
Net change in plan fiduciary net position	724,732	(594,397)	(323,567)	1,161,728
Plan fiduciary net position—beginning	12,373,567	12,967,964	13,291,531	12,129,803
Plan fiduciary net position—ending (b)	13,098,299	12,373,567	12,967,964	13,291,531
Net pension liability—ending (a)-(b)	\$ 4,061,335	\$ 4,730,420	\$ 4,051,398	\$ 3,750,618
Public School Employees Retirement System:				
Total pension liability:				
Service cost	\$ 12,788	\$ 11,952	\$ 12,089	\$ 11,049
Interest	72,157	68,776	67,652	66,143
Differences between expected and actual experience	(3,665)	(9,483)	(6,858)	—
Changes of assumptions	—	33,215	—	—
Benefit payments	(59,378)	(57,903)	(56,972)	(56,189)
Refunds of contributions	(1,031)	(465)	(456)	(514)
Net change in total pension liability	20,871	46,092	15,455	20,489
Total pension liability—beginning	992,292	946,200	930,745	910,256
Total pension liability—ending (a)	1,013,163	992,292	946,200	930,745
Plan fiduciary net position:				
Contributions—nonemployer	26,277	28,580	28,461	27,160
Contributions—member	2,084	1,925	1,800	1,659
Net investment income	97,715	9,809	30,129	123,799
Benefit payments	(59,378)	(57,903)	(56,972)	(56,189)
Administrative expense	(1,308)	(1,321)	(1,545)	(1,450)
Refunds of contributions	(1,031)	(465)	(456)	(514)
Net change in plan fiduciary net position	64,359	(19,375)	1,417	94,465
Plan fiduciary net position—beginning	803,775	823,150	821,733	727,268
Plan fiduciary net position—ending (b)	868,134	803,775	823,150	821,733
Net pension liability—ending (a)-(b)	\$ 145,029	\$ 188,517	\$ 123,050	\$ 109,012

(continued)

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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 Four Fiscal Years
(dollars in thousands)**

	2017	2016	2015	2014
Georgia Judicial Retirement System:				
Total pension liability:				
Service cost	\$ 12,514	\$ 12,713	\$ 7,751	\$ 7,584
Interest	26,826	26,058	25,566	24,530
Benefit changes	3,419	—	—	—
Differences between expected and actual experience	5,258	(3,603)	(7,542)	—
Changes of assumptions	—	(4,308)	—	—
Benefit payments	(21,784)	(19,011)	(18,365)	(17,441)
Refunds of contributions	(166)	(261)	(772)	(22)
Net change in total pension liability	26,067	11,588	6,638	14,651
Total pension liability-beginning	368,669	357,081	350,443	335,792
Total pension liability-ending (a)	394,736	368,669	357,081	350,443
Plan fiduciary net position:				
Contributions-employer	4,081	4,754	2,696	1,373
Contributions-nonemployer	2,603	2,869	1,564	1,002
Contributions-member	4,906	5,507	5,061	4,731
Net investment income	49,259	5,055	14,697	60,012
Benefit payments	(21,784)	(19,011)	(18,365)	(17,441)
Administrative expense	(728)	(754)	(819)	(754)
Refunds of contributions	(166)	(261)	(772)	(22)
Other	—	—	—	—
Net change in plan fiduciary net position	38,171	(1,841)	4,062	48,901
Plan fiduciary net position-beginning	403,011	404,852	400,790	351,889
Plan fiduciary net position-ending (b)	441,182	403,011	404,852	400,790
Net pension (asset)-ending (a)-(b)	\$ (46,446)	\$ (34,342)	\$ (47,771)	\$ (50,347)
Teachers Retirement System:				
Total pension liability:				
Service cost	\$ 1,413,080	\$ 1,435,808	\$ 1,386,498	\$ 1,374,556
Interest	6,293,611	5,990,178	5,779,597	5,557,046
Differences between expected and actual experience	573,483	380,526	(165,785)	—
Changes of assumptions	—	662,047	—	—
Benefit payments	(4,461,124)	(4,228,819)	(3,996,879)	(3,764,452)
Refunds of contributions	(76,296)	(79,334)	(80,083)	(87,095)
Net change in total pension liability	3,742,754	4,160,406	2,923,348	3,080,055
Total pension liability-beginning	86,183,526	82,023,120	79,099,772	76,019,717
Total pension liability-ending (a)	89,926,280	86,183,526	82,023,120	79,099,772
Plan fiduciary net position:				
Contributions - employer	1,648,411	1,572,624	1,399,668	1,264,546
Contributions-nonemployer	6,175	7,908	7,038	6,417
Contributions-member	716,233	685,626	661,835	640,120
Net investment income	7,971,677	810,574	2,384,145	9,826,743
Benefit payments	(4,461,124)	(4,228,819)	(3,994,593)	(3,764,452)
Administrative expense	(16,773)	(15,281)	(17,282)	(15,025)
Refunds of contributions	(76,296)	(79,334)	(80,085)	(87,095)
Other	258	—	—	—
Net change in plan fiduciary net position	5,788,561	(1,246,702)	360,726	7,871,254
Plan fiduciary net position-beginning	65,552,411	66,799,113	66,438,387	58,594,837
Plan fiduciary net position-ending (b)	71,340,972	65,552,411	66,799,113	66,466,091
Net pension liability-ending (a)-(b)	\$ 18,585,308	\$ 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 Four Fiscal Years
(dollars in thousands)**

	2017	2016	2015	2014
Peace Officers' Annuity and Benefits Fund of Georgia				
Total pension liability:				
Service cost	\$ 15,046	\$ 12,827	\$ 13,085	\$ 17,890
Interest	52,255	50,241	47,138	43,877
Differences between expected and actual experience	(5,846)	(4,688)	—	—
Changes of assumptions	(32,956)	—	14,577	—
Benefit payments	(32,216)	(30,721)	(28,879)	(27,263)
Refunds of contributions	(406)	(413)	(433)	(437)
Net change in total pension liability	(4,123)	27,246	45,488	34,067
Total pension liability-beginning	747,484	720,213	674,725	640,658
Total pension liability-ending (a)	743,361	747,459	720,213	674,725
Plan fiduciary net position:				
Contributions-nonemployer	14,005	14,713	15,341	15,342
Contributions-member	3,482	3,527	3,537	3,532
Net investment income	81,611	(836)	15,771	103,600
Benefit payments	(32,216)	(30,721)	(28,879)	(27,263)
Miscellaneous	64	66	65	90
Administrative expense	(947)	(849)	(755)	(730)
Refunds of contributions	(406)	(413)	(433)	(437)
Net change in plan fiduciary net position	65,593	(14,513)	4,647	94,134
Plan fiduciary net position-beginning	689,021	703,535	698,889	604,755
Plan fiduciary net position-ending (b)	754,614	689,022	703,536	698,889
Net pension liability/(asset)-ending (a)-(b)	\$ (11,253)	\$ 58,437	\$ 16,677	\$ (24,164)
Georgia Firefighters' Pension Fund:				
Total pension liability:				
Service cost	\$ 19,557	\$ 19,398	\$ 18,377	\$ 17,889
Interest	56,847	54,164	53,833	51,850
Benefit changes	9,980	14,201	—	—
Differences between expected and actual experience	(3,913)	771	(11,448)	—
Changes of assumptions	—	—	54,973	—
Benefit payments	(44,301)	(41,562)	(39,379)	(37,530)
Refunds of contributions	(1,121)	(650)	(835)	(694)
Net change in total pension liability	37,049	46,322	75,521	31,515
Total pension liability-beginning	970,156	923,835	848,314	816,799
Total pension liability-ending (a)	1,007,205	970,157	923,835	848,314
Plan fiduciary net position:				
Contributions-nonemployer	34,152	32,684	31,489	30,034
Contributions-member	3,952	3,970	3,896	3,836
Net investment income	85,059	5,973	12,080	111,715
Benefit payments	(44,301)	(41,562)	(39,379)	(37,530)
Administrative expense	(1,341)	(1,362)	(1,329)	(1,209)
Refunds of contributions	(1,121)	(651)	(835)	(693)
Other	337	293	296	332
Net change in plan fiduciary net position	76,737	(655)	6,218	106,485
Plan fiduciary net position-beginning	766,677	767,333	761,115	654,630
Plan fiduciary net position-ending (b)	843,414	766,678	767,333	761,115
Net pension liability-ending (a)-(b)	\$ 163,791	\$ 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 Four Fiscal Years

	Annual money-weighted rate of return, net of investment expense			
	2017	2016	2015	2014
Pooled Investment Fund (ERS):	2.90%	(7.23)%	(5.32)%	(5.95)%
Employees' Retirement System				
Public School Employees Retirement System				
Georgia Judicial Retirement System				
Teachers Retirement System	7.62%	(2.92)%	(0.45)%	12.17%
Peace Officers' Annuity and Benefit Fund of Georgia	11.91%	0.08%	2.53%	18.49%
Georgia Firefighters' Pension Fund	11.10%	0.96%	1.23%	17.6%

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, 2017

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. A one-time 3% payment was granted to certain retirees and beneficiaries effective July 2016.

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

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. A 2% cost -of-living adjustment was granted to certain retired members and beneficiaries effective July 1, 2016.

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, withdrawal, and salary increases.

Teachers Retirement System

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

Changes of assumptions: On November 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, 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, 2017

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. For fiscal year 2017, the mortality table for healthy lives was updated to the RP 2014 Healthy Mortality Table with blue collar adjustment projected with Conduent modified MP 2016 projection scale and the mortality table for disabled lives was updated to the RP 2014 Disabled Retiree Mortality Table projected with the Conduent modified MP 2016 projection scale. Also, the active retirement and termination rates were updated based on the results of an experience study covering the period June 30, 2008 through June 30, 2015. In addition, the discount rate was decreased from 7.00% to 6.50%.

Georgia Firefighters' Pension Fund

Changes of benefit terms:

- In 2013, membership dues were increased from \$15 per month to \$25 per month.
- In 2016, a one-time 1.5% Cost-of-Living Adjustment (COLA) was granted to retired members and beneficiaries and to the benefit rate for future retirees effective as of July 1, 2016.
- In 2017, a one-time 1% Cost-of-Living Adjustment (COLA) was granted to retired members and beneficiaries and to the benefit rate for future retirees effective as of July 1, 2017.

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, 2017

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:

	ERS	GJRS
Valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of pay, closed
Remaining amortization period	22.6 years	19.5 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation	3.00%	3.00%
Salary increases:	5.45 - 9.25%, including inflation	6.00%, 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
	PSERS	TRS
Valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent of payroll, closed
Remaining amortization period	23.9 years	29 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
	Peace Officers'	Firefighters'
Valuation date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	28.2 years
Asset valuation method	Actuarial value	5-year smoothed market with 15% corridor
Inflation	2.50%	2.75%
Salary increases	N/A	N/A
Investment rate of return	6.5%, 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 Three Fiscal Years

(Dollars in thousands)

	2017	2016	2015
Primary Government			
Employees' Retirement System:			
Statutorily required contribution	\$ 554,976	\$ 505,411	\$ 440,602
Contributions in relation to the statutorily required contribution	(554,976)	(505,411)	(440,602)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 2,257,282	\$ 2,103,422	\$ 1,875,953
Contributions as a percentage of the covered payroll	24.59%	24.03%	23.49%
Georgia Judicial Retirement System:			
Statutorily required contribution	\$ 3,701	\$ 4,134	\$ 2,209
Contributions in relation to the statutorily required contribution	(3,701)	(4,134)	(2,209)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 35,440	\$ 33,710	\$ 31,184
Contributions as a percentage of the covered payroll	10.44%	12.26%	7.08%
Teachers Retirement System:			
Statutorily required contribution	\$ 276,210	\$ 261,758	\$ 230,939
Contributions in relation to the statutorily required contribution	(276,210)	(261,758)	(230,939)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 1,934,055	\$ 1,832,311	\$ 1,756,586
Contributions as a percentage of the covered payroll	14.28%	14.29%	13.15%
Component Units			
Employees' Retirement System:			
Statutorily required contribution	\$ 9,576	\$ 9,425	\$ 8,304
Contributions in relation to the statutorily required contribution	(9,576)	(9,425)	(8,304)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 36,171	\$ 39,238	\$ 35,265
Contributions as a percentage of the covered payroll	26.47%	24.02%	23.55%
Teachers Retirement System:			
Statutorily required contribution	\$ 9,248	\$ 8,616	\$ 8,231
Contributions in relation to the statutorily required contribution	(9,248)	(8,616)	(8,231)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 64,715	\$ 63,339	\$ 62,558
Contributions as a percentage of the covered payroll	14.29%	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 Three Fiscal Years
(Dollars in thousands)

	2017	2016	2015
Employees' Retirement System:			
Statutorily required contribution	\$ 11,967	\$ 12,138	\$ 11,174
Contributions in relation to the statutorily required contribution	(11,967)	(12,138)	(11,174)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Public School Employees Retirement System:			
Statutorily required contribution	\$ 26,277	\$ 28,580	\$ 28,461
Contributions in relation to the statutorily required contribution	(26,277)	(28,580)	(28,461)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Georgia Judicial Retirement System:			
Statutorily required contribution	\$ 2,575	\$ 2,902	\$ 1,558
Contributions in relation to the statutorily required contribution	(2,575)	(2,902)	(1,558)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Teachers Retirement System:			
Statutorily required contribution	\$ 6,152	\$ 7,944	\$ 7,038
Contributions in relation to the statutorily required contribution	(6,152)	(7,944)	(7,038)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Peace Officers' Annuity and Benefit Fund of Georgia			
Statutorily required contribution	\$ 14,005	\$ 14,713	\$ 15,341
Contributions in relation to the statutorily required contribution	(14,005)	(14,713)	(15,341)
Contribution Deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Georgia Firefighters' Pension Fund:			
Statutorily required contribution	\$ 34,152	\$ 32,684	\$ 31,489
Contributions in relation to the statutorily required contribution	(34,152)	(32,684)	(31,489)
Contribution Deficiency (excess)	<u>\$ —</u>	<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 Three Fiscal Years

(Dollars in thousands)

	2017	2016	2015
Primary Government			
Employees' Retirement System:			
State's proportion of the net pension liability	87.798535 %	87.682412 %	87.266834 %
State's proportionate share of the net pension liability	\$ 4,153,237	\$ 3,552,363	\$ 3,273,046
State's Covered payroll	\$ 2,257,282	\$ 1,875,953	\$ 1,615,070
State's proportionate share of the net pension liability as a percentage of its covered payroll	183.99 %	189.36 %	202.66 %
Plan fiduciary net position as a percentage of the total pension liability	72.34 %	76.20 %	77.99 %
Georgia Judicial Retirement System:			
State's proportion of the net pension liability	58.753912 %	58.635878 %	57.356971 %
State's proportionate share of the net pension liability	\$ (20,177)	\$ (28,011)	\$ (28,878)
State's Covered payroll	\$ 35,440	\$ 31,184	\$ 29,887
State's proportionate share of the net pension liability as a percentage of its covered payroll	(56.93)%	(89.82)%	(96.62)%
Plan fiduciary net position as a percentage of the total pension liability	109.32 %	113.38 %	114.37 %
Teachers Retirement System:			
State's proportion of the net pension liability	16.741530 %	16.687812 %	16.517474 %
State's proportionate share of the net pension liability	\$ 3,453,291	\$ 2,540,211	\$ 2,086,629
State's Covered payroll	\$ 1,934,055	\$ 1,756,586	\$ 1,683,292
State's proportionate share of the net pension liability as a percentage of its covered payroll	178.55 %	144.61 %	123.96 %
Plan fiduciary net position as a percentage of the total pension liability	76.06 %	81.44 %	84.03 %
Component Units			
Employees' Retirement System:			
State's proportion of the net pension liability	1.639295 %	1.557127 %	1.543905 %
State's proportionate share of the net pension liability	\$ 77,545	\$ 63,085	\$ 57,906
State's Covered payroll	\$ 36,171	\$ 35,265	\$ 28,075
State's proportionate share of the net pension liability as a percentage of its covered payroll	214.38 %	178.89 %	206.25 %
Plan fiduciary net position as a percentage of the total pension liability	72.34 %	76.20 %	77.99 %
Teachers Retirement System:			
State's proportion of the net pension liability	0.577541 %	0.564109 %	0.590520 %
State's proportionate share of the net pension liability	\$ 118,967	\$ 85,798	\$ 74,604
State's Covered payroll	\$ 64,715	\$ 62,558	\$ 60,180
State's proportionate share of the net pension liability as a percentage of its covered payroll	183.83 %	137.15 %	123.97 %
Plan fiduciary net position as a percentage of the total pension liability	76.06 %	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 Three Fiscal Years

(Dollars in thousands)

	2017		2016		2015
Employees' Retirement System:					
State's proportion of the net pension liability (asset)	2.111751%		2.225584%		2.410713%
State's proportionate share of the net pension liability (asset)	\$ 99,895	\$	90,167	\$	90,417
Plan fiduciary net position as a percentage of the total pension liability	72.34%		76.20%		77.99%
Public School Employees Retirement System:					
State's proportion of the net pension liability (asset)	100.000000%		100.000000%		100.000000%
State's proportionate share of the net pension liability (asset)	\$ 188,517	\$	123,050	\$	109,012
Plan fiduciary net position as a percentage of the total pension liability	81.00%		87.00%		88.29%
Georgia Judicial Retirement System:					
State's proportion of the net pension liability (asset)	41.246088%		41.364122%		42.643029%
State's proportionate share of the net pension liability (asset)	\$ (14,165)	\$	(19,760)	\$	(21,469)
Plan fiduciary net position as a percentage of the total pension liability	109.32%		113.38%		114.37%
Teachers Retirement System:					
State's proportion of the net pension liability (asset)	0.507487%		0.507036%		0.504588%
State's proportionate share of the net pension liability (asset)	\$ 104,700	\$	77,191	\$	63,748
Plan fiduciary net position as a percentage of the total pension liability	76.06%		81.44%		84.03%
Peace Officers' Annuity and Benefit Fund of Georgia:					
State's proportion of the net pension liability (asset)	100.000000%		100.000000%		100.000000%
State's proportionate share of the net pension liability (asset)	\$ 58,463	\$	12,295	\$	(25,230)
Plan fiduciary net position as a percentage of the total pension liability	92.18%		98.28%		103.75%
Georgia Firefighters' Pension Fund:					
State's proportion of the net pension liability (asset)	100.000000%		100.000000%		100.000000%
State's proportionate share of the net pension liability (asset)	\$ 203,479	\$	156,502	\$	87,199
Plan fiduciary net position as a percentage of the total pension liability	79.03%		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

**REQUIRED SUPPLEMENTARY INFORMATION -
OTHER POSTEMPLOYMENT BENEFITS**



Required Supplementary Information

Schedule of Funding Progress for Other Postemployment Benefits

For the Fiscal Year Ended June 30, 2017

(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
Multiple-employer Plans:								
State OPEB Fund	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
	6/30/2016	516,245	3,609,889	3,093,644	14.3%	2,404,901	128.6%	263,557
School OPEB Fund	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
	6/30/2016	95,407	10,559,402	10,463,995	0.9%	10,086,189	103.7%	423,795
Single-employer Plan:								
Regents Plan	7/1/2014	\$ 82	\$ 4,278,445	\$ 4,278,363	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
	7/1/2016	2,899	3,068,726	3,065,827	0.1%	2,855,309	107.4%	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 Schedule of Employers' Contributions For the Last Ten Fiscal Years

(dollars in thousands)

	Year Ended	Actuarial Determined Contribution (a)	Contributions in Relation to the Actuarially Determined Contribution (b)	Contribution Deficiency/ (Excess) (a - b)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll (b/c)
State OPEB Fund	6/30/2008	\$ 367,508	\$ 274,771	\$ 92,737	\$ 2,864,040	9.59%
	6/30/2009	387,790	170,789	217,001	2,730,018	6.26%
	6/30/2010	347,772	22,209	325,563	2,626,081	0.85%
	6/30/2011	327,053	168,384	158,669	2,542,891	6.62%
	6/30/2012	317,100	181,899	135,201	2,408,000	7.55%
	6/30/2013	338,819	181,504	157,315	2,328,334	7.80%
	6/30/2014	321,456	177,045	144,411	2,293,104	7.72%
	6/30/2015	275,681	267,235	8,446	2,333,060	11.45%
	6/30/2016	259,250	574,015	(314,765)	2,404,901	23.87%
	6/30/2017	202,092	599,622	(397,530)	2,483,060	24.15%
School OPEB Fund	6/30/2008	894,861	275,519	619,342	N/A	N/A
	6/30/2009	1,290,050	303,348	986,702	N/A	N/A
	6/30/2010	1,080,042	308,539	771,503	N/A	N/A
	6/30/2011	1,050,850	339,221	711,629	N/A	N/A
	6/30/2012	1,054,708	380,859	673,849	N/A	N/A
	6/30/2013	982,120	362,527	619,593	N/A	N/A
	6/30/2014	943,310	408,422	534,888	N/A	N/A
	6/30/2015	873,278	408,538	464,740	N/A	N/A
	6/30/2016	873,736	432,437	441,299	N/A	N/A
	6/30/2017	669,894	552,251	117,643	N/A	N/A
SEAD-OPEB Plan	6/30/2008	—	—	—	N/A	N/A
	6/30/2009	—	—	—	N/A	N/A
	6/30/2010	—	—	—	N/A	N/A
	6/30/2011	—	—	—	N/A	N/A
	6/30/2012	12,724	12,724	—	2,085,902	0.61%
	6/30/2013	5,009	5,009	—	1,855,185	0.27%
	6/30/2014	—	—	—	N/A	N/A
	6/30/2015	—	—	—	N/A	N/A
	6/30/2016	—	—	—	N/A	N/A
	6/30/2017	—	—	—	N/A	N/A
Regents Plan*	6/30/2008	224,900	66,700	158,200	2,201,804	3.03%
	6/30/2009	349,500	68,100	281,400	2,372,385	2.87%
	6/30/2010	381,700	69,900	311,800	2,399,532	2.91%
	6/30/2011	411,516	80,262	331,254	2,432,367	3.30%
	6/30/2012	345,298	88,836	256,462	2,526,212	3.52%
	6/30/2013	362,426	83,414	279,012	2,466,314	3.38%
	6/30/2014	403,314	120,926	282,388	2,594,800	4.66%
	6/30/2015	442,359	129,823	312,536	2,608,757	4.98%
	6/30/2016	295,192	111,814	183,378	3,087,013	3.62%
	6/30/2017	349,859	99,584	250,275	2,855,309	3.49%

* The Contributions are not actuarially determined and therefore are not required to be reported.
This data, except for annual covered payroll, was provided by each plan's actuary.



Required Supplementary Information Schedule of Employers' Net OPEB Liability For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	<u>2017</u>
State OPEB Fund:	
Total OPEB liability	\$ 4,706,971
Plan fiduciary net position	956,373
Employers' net OPEB liability	<u>\$ 3,750,598</u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.32 %
Covered-employee payroll	\$ 2,483,060
Employers' net OPEB liability as a percentage of covered-employee payroll	151.05 %
School OPEB Fund:	
Total OPEB liability	\$ 14,508,999
Plan fiduciary net position	260,533
Employers' net OPEB liability	<u>\$ 14,248,466</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.80 %
Covered-employee payroll	\$ 10,086,189
Employers' net OPEB liability as a percentage of covered-employee payroll	141.27 %
SEAD-OPEB Plan:	
Total OPEB liability	\$ 861,346
Plan fiduciary net position	1,121,251
Employers' net OPEB (asset)	<u>\$ (259,905)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	130.17 %
Covered-employee payroll	\$ 1,383,860
Employers' net OPEB (asset) as a percentage of covered-employee payroll	(18.78)%
Regents Plan:	
Total OPEB liability	\$ 4,227,583
Plan fiduciary net position	7,857
Employers' net OPEB liability	<u>\$ 4,219,726</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.19 %
Covered-employee payroll	\$ 2,855,309
Employers' net OPEB liability as a percentage of covered-employee payroll	147.79 %

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



Required Supplementary Information
Schedule of Changes in Employers' Net OPEB Liability
For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	<u>2017</u>
State OPEB Fund:	
Total OPEB liability:	
Service cost	\$ 110,171
Interest	151,050
Changes of assumptions	(364,697)
Benefit payments	(155,787)
Net change in total OPEB liability	<u>(259,263)</u>
Total OPEB liability-beginning	4,966,234
Total OPEB liability-ending (a)	<u>4,706,971</u>
Plan fiduciary net position:	
Contributions-employer	599,622
Net investment income	4,712
Benefit payments	(155,787)
Administrative expense	(8,435)
Net change in plan fiduciary net position	<u>440,112</u>
Plan fiduciary net position-beginning	516,261
Plan fiduciary net position-ending (b)	<u>956,373</u>
Net OPEB liability-ending (a)-(b)	<u>\$ 3,750,598</u>
School OPEB Fund:	
Total OPEB liability:	
Service cost	\$ 567,335
Interest	459,146
Changes of assumptions	(1,281,600)
Benefit payments	(383,556)
Net change in total OPEB liability	<u>(638,675)</u>
Total OPEB liability-beginning	15,147,674
Total OPEB liability-ending (a)	<u>14,508,999</u>
Plan fiduciary net position:	
Contributions-employer	552,251
Net investment income	1,153
Benefit payments	(383,556)
Administrative expense	(4,727)
Net change in plan fiduciary net position	<u>165,121</u>
Plan fiduciary net position-beginning	95,412
Plan fiduciary net position-ending (b)	<u>260,533</u>
Net OPEB liability-ending (a)-(b)	<u>\$ 14,248,466</u>

(continued)

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



Required Supplementary Information

Schedule of Changes in Employers' Net OPEB Liability

June 30, 2017

(dollars in thousands)

SEAD-OPEB Plan:	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 3,959
Interest	61,076
Benefit payments	<u>(36,058)</u>
Net change in total OPEB liability	28,977
Total OPEB liability-beginning	<u>832,369</u>
Total OPEB liability-ending (a)	<u>861,346</u>
Plan fiduciary net position:	
Contributions-member	3,793
Net investment income	125,550
Benefit payments	(36,058)
Administrative expense	(576)
Other	1
Net change in plan fiduciary net position	<u>92,710</u>
Plan fiduciary net position-beginning	<u>1,028,541</u>
Plan fiduciary net position-ending (b)	<u>1,121,251</u>
Net OPEB (asset)-ending (a)-(b)	<u><u>\$ (259,905)</u></u>
 Regents Plan:	
Total OPEB liability:	
Service cost	211,513
Interest	124,612
Differences between expected and actual experience	123,090
Changes of assumptions	(347,331)
Benefit payments	<u>(89,653)</u>
Net change in total OPEB liability	22,231
Total OPEB liability-beginning	<u>4,205,352</u>
Total OPEB liability-ending (a)	<u>4,227,583</u>
Plan fiduciary net position:	
Contributions-employer	99,584
Net investment income	72
Benefit payments	(89,653)
Administrative expense	<u>(5,045)</u>
Net change in plan fiduciary net position	4,958
Plan fiduciary net position-beginning	<u>2,899</u>
Plan fiduciary net position-ending (b)	<u>7,857</u>
Net OPEB liability-ending (a)-(b)	<u><u>\$ 4,219,726</u></u>

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



Required Supplementary Information

Schedule of Investment Returns

For the Fiscal Year Ended June 30, 2017

	Annual money-weighted rate of return, net of investment expense
	2017
Pooled Investment Fund:	
State OPEB Fund	0.74%
School OPEB Fund	0.78%
SEAD-OPEB Plan	2.90%
Regents Plan	0.99%

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



Required Supplementary Information

Notes to Required Supplementary Information

Other Postemployment Benefit Plans

Methods and Assumptions

For the Fiscal Year Ended June 30, 2017

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.

State OPEB Fund

Changes of benefit terms: There have been no changes in benefit terms.

Changes of assumptions:

- June 30, 2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
- June 30, 2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.

School OPEB Fund

Changes of benefit terms: There have been no changes in benefit terms.

Changes of assumptions:

- June 30, 2015 valuation: Decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.
- June 30, 2012 valuation: A data audit was performed and data collection procedures and assumptions were changed.

SEAD-OPEB Plan

Changes of benefit terms: There have been no changes in benefit terms.

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

Regents Plan

Changes of benefit terms: There have been no changes in benefit terms.

Changes of assumptions: Expected claims were updated to reflect actual claims experience. Trend was reset based on current conditions. Disability, Termination, Retirement, and Disabled Mortality were updated to reflect those used in the current TRS actuarial valuation.



Required Supplementary Information

Notes to Required Supplementary Information

Other Postemployment Benefit Plans

Methods and Assumptions

For the Fiscal Year Ended June 30, 2017

Methods and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedules of employers' contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rates in those schedules:

	<u>State OPEB</u>	<u>School OPEB</u>
Valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of pay, open	Level percent of pay, open
Remaining amortization period	30 years	30 years
Inflation	3.00%	3.00%
Healthcare cost trend rate		
Pre-Medicare Eligible	7.50%	7.50%
Medicare Eligible	5.75%	5.75%
Ultimate Trend Rate		
Pre-Medicare Eligible	5.00%	5.00%
Medicare Eligible	5.00%	5.00%
Year of ultimate trend rate	2019	2019
Investment Rate of return*	4.5%	4.5%
 <u>SEAD-OPEB Plan</u> 		
Valuation date	June 30, 2014	
Actuarial cost method	Projected Unit Credit	
Amortization method	Level dollar, open	
Remaining amortization period	Infinite	
Inflation	3.00%	
Healthcare cost trend rate	N/A	
Investment Rate of return*	7.50%	

* Includes inflation.



COMBINING AND INDIVIDUAL
FUND STATEMENTS



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 (SRTA)** is a legally separate public corporation created to finance transportation projects and operate toll facilities in the State of Georgia.

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, 2017

(dollars in thousands)

	Special Revenue				
	Georgia Aviation Authority	Georgia Economic Development Foundation, Inc.	Governor's Defense Initiative, Inc.	Georgia Natural Resources Foundation	State Road and Tollway Authority
Assets					
Cash and Cash Equivalents	\$ 5,270	\$ —	\$ —	\$ —	\$ —
Pooled Investments with State Treasury	—	—	—	—	12,437
Investments	—	—	—	—	—
Accounts Receivable	—	—	—	—	13,086
Due From Other Funds	—	—	—	—	47,295
Due From Component Units	—	—	—	—	226
Restricted Assets					
Pooled Investments with State Treasury	—	—	—	—	80,087
Other Assets	—	—	—	—	159
Total Assets	\$ 5,270	\$ —	\$ —	\$ —	\$ 153,290
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Accruals	\$ 210	\$ —	\$ —	\$ —	\$ 291
Due to Other Funds	—	—	—	—	15
Due to Component Units	—	—	—	—	10
Contracts Payable	—	—	—	—	29,377
Total Liabilities	210	—	—	—	29,693
Fund Balances:					
Nonspendable	—	—	—	—	15,289
Restricted	—	—	—	—	79,875
Unrestricted					
Assigned	5,060	—	—	—	28,433
Total Fund Balances	5,060	—	—	—	123,597
Total Liabilities and Fund Balances	\$ 5,270	\$ —	\$ —	\$ —	\$ 153,290



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		
\$ —	\$ 102,612	\$ —	\$ —	\$ —	\$ 107,882
—	—	—	—	—	12,437
—	95,109	—	—	—	95,109
—	8,923	—	—	—	22,009
—	—	—	—	—	47,295
—	—	—	—	—	226
—	—	—	270	—	80,357
—	—	—	—	—	159
<u>\$ —</u>	<u>\$ 206,644</u>	<u>\$ —</u>	<u>\$ 270</u>	<u>\$ —</u>	<u>\$ 365,474</u>
\$ —	\$ 2,698	\$ —	\$ —	\$ —	\$ 3,199
—	10,633	—	—	—	10,648
—	—	—	—	—	10
—	1,187	—	—	—	30,564
—	14,518	—	—	—	44,421
—	—	—	—	—	15,289
—	192,126	—	270	—	272,271
—	—	—	—	—	33,493
—	192,126	—	270	—	321,053
<u>\$ —</u>	<u>\$ 206,644</u>	<u>\$ —</u>	<u>\$ 270</u>	<u>\$ —</u>	<u>\$ 365,474</u>

State of Georgia

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Special Revenue				
	Georgia Aviation Authority	Georgia Economic Development Foundation, Inc.	Governor's Defense Initiative, Inc.	Georgia Natural Resources Foundation	State Road and Tollway Authority
Revenues					
Intergovernmental - Other	\$ —	\$ —	\$ —	\$ —	\$ 9,367
Sales and Services	6,647	—	—	—	—
Interest and Other Investment Income	—	—	—	—	1,321
Total Revenues	6,647	—	—	—	10,688
Expenditures					
Education	—	—	—	—	—
Transportation	—	—	—	—	60,144
Economic Development and Assistance	1,619	473	348	—	—
Conservation	—	—	—	924	—
Debt Service					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Other Debt Service Expenditures	—	—	—	—	89
Total Expenditures	1,619	473	348	924	60,233
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,028	(473)	(348)	(924)	(49,545)
Other Financing Sources (Uses)					
Debt Issuance - Refunding Bonds	—	—	—	—	—
Debt Issuance - Other	—	—	—	—	2,000
Debt Issuance - Refunding Bonds - Premium	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—	—
Transfers In	—	—	—	—	61,359
Transfers Out	—	—	—	—	(25)
Net Other Financing Sources (Uses)	—	—	—	—	63,334
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,028	(473)	(348)	(924)	13,789
Fund Balances, July 1 - Restated (Note 3)	32	473	348	924	109,808
Fund Balances, June 30	\$ 5,060	\$ —	\$ —	\$ —	\$ 123,597



		Debt Service				
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	
\$ —	\$ 104,994	\$ —	\$ —	\$ —	\$	114,361
—	—	—	—	—		6,647
—	1,341	—	134	—		2,796
—	106,335	—	134	—		123,804
—	—	—	—	14		14
—	—	—	54	—		60,198
147	50,817	—	—	—		53,404
—	—	—	—	—		924
—	—	824,290	218,335	—		1,042,625
—	—	374,331	44,667	—		418,998
—	—	—	2,971	237		3,297
147	50,817	1,198,621	266,027	251		1,579,460
(147)	55,518	(1,198,621)	(265,893)	(251)		(1,455,656)
—	—	1,340,265	—	—		1,340,265
—	—	—	24,389	—		26,389
—	—	283,301	—	—		283,301
—	—	(1,620,595)	—	—		(1,620,595)
—	—	1,198,621	238,926	—		1,498,906
—	(54,471)	—	—	—		(54,496)
—	(54,471)	1,201,592	263,315	—		1,473,770
(147)	1,047	—	156	(14)		18,114
147	191,079	—	114	14		302,939
\$ —	\$ 192,126	\$ —	\$ 270	\$ —	\$	321,053



NONMAJOR ENTERPRISE FUNDS



Description of Nonmajor Enterprise Funds

The Enterprise Funds account for the business type activities of smaller governmental agencies that are funded by the issuance of debt or fees charged to external customers. The State's Nonmajor Enterprise Funds are described below:

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. SEAD - Active is a cost-sharing multiple employer life insurance plan created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to active members of ERS, LRS, and GJRS.

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 the State of Georgia through the issuance of revenue bonds. The Authority issues debt and enters into lease agreements. The current lease agreements outstanding are with an affiliate of the University System of Georgia Foundation, Inc. (nonmajor enterprise fund). The costs of the Authority's debt are recovered through lease payments from the Higher Education Foundations.

The **State Road and Tollway Authority** is a legally separate public corporation created to finance transportation projects and operate toll facilities in the State of Georgia. SRTA uses an enterprise fund to account for its operation of the transit fund, which was created in preparation of the transition of the Xpress commuter bus service and Van Pool service from the Georgia Regional Transportation Authority (Discrete Component Unit) to SRTA, the I-75 S Metro Express Lanes and the I-75 Northwest Corridor Express activity, as well as operate one toll facility (i.e. the I-85 Express Lanes) and five toll facilities under planning and/or construction.





Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2017

(dollars in thousands)

	State Employees' Assurance Department - Active	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 55	\$ —	\$ 5,885	\$ 5,940
Pooled Investments with State Treasury	—	490	1,557	2,047
Investments	267,194	—	—	267,194
Accounts Receivable (Net)	—	469	17,454	17,923
Due from Other Funds	72	—	2,156	2,228
Due from Component Units	—	234,125	110	234,235
Other Assets	—	—	158	158
Restricted Assets:				
Pooled Investments with State Treasury	—	—	174,857	174,857
Noncurrent Assets:				
Nondepreciable Capital Assets	—	—	9,354	9,354
Depreciable Capital Assets, net	—	—	33,452	33,452
Total Assets	267,321	235,084	244,983	747,388
Deferred Outflows of Resources	—	3,959	—	3,959
Liabilities				
Current Liabilities:				
Accounts Payable and Other Accruals	35	—	13,437	13,472
Due to Other Funds	—	—	21,472	21,472
Due to Component Units	—	—	404	404
Compensated Absences Payable	—	—	130	130
Revenue Bonds Payable	—	4,975	—	4,975
Other Current Liabilities	—	469	950	1,419
Current Liabilities Payable from Restricted Assets	—	—	20,082	20,082
Noncurrent Liabilities:				
Compensated Absences Payable	—	—	377	377
Revenue Bonds Payable	—	232,245	31,916	264,161
Other Noncurrent Liabilities	—	—	247,646	247,646
Total Liabilities	35	237,689	336,414	574,138
Net Position				
Net Investment in Capital Assets	—	—	35,970	35,970
Restricted for:				
Other Postemployment Benefit	267,286	—	—	267,286
Other	—	—	102,639	102,639
Unrestricted	—	1,354	(230,040)	(228,686)
Total Net Position	\$ 267,286	\$ 1,354	\$ (91,431)	\$ 177,209



Combining Statement of Revenues, Expenses, and Changes in Net Position

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	State Employees' Assurance Department- Active	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Operating Revenues:				
Contributions/Premiums	\$ 599	\$ —	\$ —	\$ 599
Sales and Services	—	11,420	18,007	29,427
Total Operating Revenues	599	11,420	18,007	30,026
Operating Expenses:				
Personal Services	64	—	1,810	1,874
Services and Supplies	—	9	16,011	16,020
Interest Expense	—	11,420	—	11,420
Benefits	4,019	—	—	4,019
Depreciation	—	—	4,217	4,217
Amortization	—	(56)	(24)	(80)
Total Operating Expenses	4,083	11,373	22,014	37,470
Operating Income	(3,484)	47	(4,007)	(7,444)
Nonoperating Revenues (Expenses):				
Interest and Other Investment Income	29,847	3	732	30,582
Interest Expense	(62)	—	(4,257)	(4,319)
Other	—	—	(147,426)	(147,426)
Total Nonoperating Revenues (Expenses)	29,785	3	(150,951)	(121,163)
Income (Loss) Before Contributions and Transfers	26,301	50	(154,958)	(128,607)
Capital Contributions	—	—	28,292	28,292
Transfers:				
Transfers In	—	—	70,611	70,611
Transfers Out	—	—	(159)	(159)
Net Transfers	—	—	70,452	70,452
Change in Net Position	26,301	50	(56,214)	(29,863)
Net Position, July 1 - Restated (Note 3)	240,985	1,304	(35,217)	207,072
Net Position, June 30	\$ 267,286	\$ 1,354	\$ (91,431)	\$ 177,209



Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	State Employees' Assurance Department- Active	Georgia Higher Education Facilities Authority	State Road and Tollway Authority	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ —	\$ —	\$ 17,752	\$ 17,752
Cash Received from Other Funds (Internal Activity)	607	—	—	607
Cash Paid to Vendors	(4,105)	(9)	(14,628)	(18,742)
Cash Paid to Employees	—	—	(1,788)	(1,788)
Cash Paid to Other Funds (Internal Activity)	—	—	(4,868)	(4,868)
Net Cash Provided by Operating Activities	(3,498)	(9)	(3,532)	(7,039)
Cash Flows from Noncapital Financing Activities:				
Interest Paid on Bonds/Long-Term Debt	—	(11,427)	—	(11,427)
Transfers to Other Funds	—	—	(654)	(654)
Payments on Noncapital Financing Debt	—	(4,817)	—	(4,817)
Other Noncapital Receipts	—	172	—	172
Net Cash Used in Noncapital Financing Activities	—	(16,072)	(654)	(16,726)
Cash Flows from Capital and Related Financing Activities:				
Capital Grants and Gifts Received	—	—	37,284	37,284
Bond Issuance Costs	—	—	(88,437)	(88,437)
Proceeds from Capital Debt	—	—	212,501	212,501
Acquisition and Construction of Capital Assets	—	—	(35,243)	(35,243)
Interest Paid on Capital Debt	—	—	(2,187)	(2,187)
Net Cash Provided by (Used in) Capital and Related Financing Activities	—	—	123,918	123,918
Cash Flows from Investing Activities:				
Proceeds from Sales of Investments	240,948	—	—	240,948
Purchase of Investments	(267,194)	—	—	(267,194)
Interest and Dividends Received	29,785	3	732	30,520
Other Investing Activities	—	16,072	—	16,072
Net Cash Provided by (Used in) Investing Activities	3,539	16,075	732	20,346
Net Increase (Decrease) in Cash and Cash Equivalents	41	(6)	120,464	120,499
Cash and Cash Equivalents, July 1 - Restated (Note 3)	14	496	61,835	62,345
Cash and Cash Equivalents, June 30	\$ 55	\$ 490	\$ 182,299	\$ 182,844
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Operating Income	\$ (3,484)	\$ 47	\$ (4,007)	(7,444)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation/Amortization Expense	—	(56)	4,193	4,137
Other	—	(7)	—	(7)
Changes in Assets and Liabilities:				
Accounts Receivable	—	7	(255)	(248)
Due from Other Funds	8	—	—	8
Other Assets	—	—	(156)	(156)
Accounts Payable and Other Accruals	(22)	—	(3,329)	(3,351)
Compensated Absences	—	—	22	22
Net Cash Provided by (Used in) Operating Activities	\$ (3,498)	\$ (9)	\$ (3,532)	\$ (7,039)





INTERNAL SERVICE FUNDS



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.

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.



Description of Internal Service Funds

The **State Road and Tollway Authority - Customer Service Center (SRTA CSC)** is a legally separate public corporation created to finance transportation projects and operate toll facilities in the State of Georgia. SRTA CSC's internal service fund is used to report activity within the statewide electronic toll collection customer service center, including image review of toll trips and toll account management.

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, 2017

(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 3,070	\$ 530	\$ 3,751
Pooled Investments with State Treasury	2,004	38,908	1,011
Investments	—	—	—
Accounts Receivable (Net)	654	702	4,681
Due from Other Funds	—	820	—
Due from Component Units	—	—	—
Other Assets	—	402	13,353
Restricted Assets			
Pooled Investments with State Treasury	—	—	—
Noncurrent Assets:			
Investments	—	—	—
Capital Assets:			
Construction in Progress	—	3,500	—
Land	—	24,674	44
Buildings and Building Improvements	—	520,697	12,768
Improvements Other Than Buildings	—	7,411	—
Machinery and Equipment	—	7,161	26,742
Software	—	—	—
Works of Art and Collections	—	1,274	—
Accumulated Depreciation	—	(310,055)	(32,314)
Total Assets	<u>5,728</u>	<u>296,024</u>	<u>30,036</u>
Deferred Outflows of Resources	<u>1,484</u>	<u>3,136</u>	<u>3,660</u>
Liabilities			
Current Liabilities:			
Cash Overdraft	—	—	—
Accounts Payable and Other Accruals	1,194	3,352	4,058
Due to Other Funds	—	8	487
Unearned Revenue	—	110	—
Claims and Judgments Payable	—	—	—
Compensated Absences Payable	—	779	417
Capital Leases Payable	—	5,383	—
Other Current Liabilities	427	—	—
Current Liabilities Payable from Restricted Assets	—	—	—
Noncurrent Liabilities:			
Compensated Absences Payable	—	—	928
Capital Leases Payable	—	40,773	—
Net Pension Liability	5,085	12,852	14,393
Other Noncurrent Liabilities	—	—	—
Total Liabilities	<u>6,706</u>	<u>63,257</u>	<u>20,283</u>
Deferred Inflows of Resources	<u>21</u>	<u>159</u>	<u>144</u>
Net Position			
Net Investment in Capital Assets	—	208,505	7,240
Restricted for:			
Capital Projects	—	—	—
Unrestricted	<u>485</u>	<u>27,239</u>	<u>6,029</u>
Total Net Position	<u>\$ 485</u>	<u>\$ 235,744</u>	<u>\$ 13,269</u>



Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ —	\$ 1	\$ 3,980	\$ 11,332
18,953	4,413	46,418	111,707
11,746	—	—	11,746
72,282	144	11,101	89,564
651,551	829	21,816	675,016
—	—	59	59
57	72	—	13,884
—	15,101	—	15,101
61,275	—	—	61,275
—	298	790	4,588
—	—	5,314	30,032
—	—	13,230	546,695
—	—	—	7,411
—	109	36,111	70,123
—	8,611	55,079	63,690
—	—	—	1,274
—	(8,700)	(99,553)	(450,622)
815,864	20,878	94,345	1,262,875
789	2,135	7,177	18,381
2,006	—	—	2,006
1,311	113	43,494	53,522
—	2,027	—	2,522
—	—	2,736	2,846
737,123	—	—	737,123
—	74	902	2,172
—	—	935	6,318
81	26	3,276	3,810
—	7,377	—	7,377
—	214	1,705	2,847
—	—	7,536	48,309
3,040	6,651	28,229	70,250
—	—	12,186	12,186
743,561	16,482	100,999	951,288
11	48	523	906
—	319	—	216,064
—	6,180	—	6,180
73,081	(16)	—	106,818
\$ 73,081	\$ 6,483	\$ —	\$ 329,062

State of Georgia

Combining Statement of Revenues, Expenses, and Changes in Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Operating Revenues:			
Contributions/Premiums	\$ —	\$ —	\$ —
Rents and Royalties	—	48,558	—
Sales and Services	8,458	2,932	74,560
Other	5,891	166	2,987
Total Operating Revenues	14,349	51,656	77,547
Operating Expenses:			
Personal Services	4,344	11,003	12,408
Services and Supplies	9,280	32,471	62,030
Claims and Judgments	—	—	—
Depreciation	—	18,595	1,790
Total Operating Expenses	13,624	62,069	76,228
Operating Income (Loss)	725	(10,413)	1,319
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	7	199	171
Other	—	13,167	—
Total Nonoperating Revenues (Expenses)	7	13,366	171
Income (Loss) Before Contributions and Transfers	732	2,953	1,490
Capital Contributions	—	18,008	—
Transfers:			
Transfers In	—	4,500	—
Transfers Out	—	—	—
Net Transfers	—	4,500	—
Change in Net Position	732	25,461	1,490
Net Position, July 1 - Restated (Note 3)	(247)	210,283	11,779
Net Position, June 30	\$ 485	\$ 235,744	\$ 13,269



Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ 256,622	\$ —	\$ 20	\$ 256,642
—	—	—	48,558
—	5,023	272,815	363,788
—	—	—	9,044
<u>256,622</u>	<u>5,023</u>	<u>272,835</u>	<u>678,032</u>
2,210	259	22,183	52,407
29,872	3,357	231,141	368,151
241,852	—	—	241,852
—	103	1,800	22,288
<u>273,934</u>	<u>3,719</u>	<u>255,124</u>	<u>684,698</u>
<u>(17,312)</u>	<u>1,304</u>	<u>17,711</u>	<u>(6,666)</u>
1,388	112	190	2,067
5,593	(42)	(67)	18,651
<u>6,981</u>	<u>70</u>	<u>123</u>	<u>20,718</u>
<u>(10,331)</u>	<u>1,374</u>	<u>17,834</u>	<u>14,052</u>
—	—	785	18,793
1,430	159	5,306	11,395
—	(4,770)	(2,657)	(7,427)
<u>1,430</u>	<u>(4,611)</u>	<u>2,649</u>	<u>3,968</u>
(8,901)	(3,237)	21,268	36,813
<u>81,982</u>	<u>9,720</u>	<u>(21,268)</u>	<u>292,249</u>
<u>\$ 73,081</u>	<u>\$ 6,483</u>	<u>\$ —</u>	<u>\$ 329,062</u>

State of Georgia

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 1,512	\$ 5,701	\$ 17,749
Cash Received from Other Funds (Internal Activity)	12,447	45,073	59,322
Cash Received from Required Contributions/Premiums	—	—	—
Cash Received from Required Contributions/Premiums (Internal Activity)	—	—	—
Cash Paid to Vendors	(8,201)	(32,134)	(60,582)
Cash Paid to Employees	(4,747)	(11,644)	(12,727)
Cash Paid for Claims and Judgments	—	—	—
Other Operating Payments	(625)	—	—
Net Cash Provided by (Used in) Operating Activities	386	6,996	3,762
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	—	1,000	—
Transfers to Other Funds	—	—	—
Other Noncapital Receipts	—	—	—
Other Noncapital Payments	—	—	—
Net Cash Provided by (Used in) Noncapital Financing Activities	—	1,000	—
Cash Flows from Capital and Related Financing Activities:			
Capital Contributions	—	—	—
Proceeds from Sale of Capital Assets	—	8,024	—
Proceeds from Capital Debt	—	—	—
Acquisition and Construction of Capital Assets	—	(2,482)	(1,586)
Principal Paid on Capital Debt	—	(4,513)	—
Net Cash Used in Capital and Related Financing Activities	—	1,029	(1,586)
Cash Flows from Investing Activities:			
Proceeds from Sales of Investments	—	—	—
Purchase of Investments	—	—	—
Interest and Dividends Received	7	199	171
Net Cash Provided by Investing Activities	7	199	171
Net Increase (Decrease) in Cash and Cash Equivalents	393	9,224	2,347
Cash and Cash Equivalents, July 1 - Restated (Note 3)	4,681	30,214	2,415
Cash and Cash Equivalents, June 30	\$ 5,074	\$ 39,438	\$ 4,762



Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ —	\$ 1,473	\$ 50,595	\$ 77,030
—	4,946	215,276	337,064
13,686	—	—	13,686
138,456	—	—	138,456
(28,899)	(3,296)	(227,017)	(360,129)
(2,456)	(761)	(22,839)	(55,174)
(144,572)	—	—	(144,572)
—	—	—	(625)
<u>(23,785)</u>	<u>2,362</u>	<u>16,015</u>	<u>5,736</u>
1,430	—	5,306	7,736
—	(1,937)	(2,657)	(4,594)
6,417	—	—	6,417
(823)	—	(3,158)	(3,981)
<u>7,024</u>	<u>(1,937)</u>	<u>(509)</u>	<u>5,578</u>
—	—	785	785
—	—	—	8,024
—	(308)	(6,099)	(10,475)
—	—	(695)	(5,208)
<u>—</u>	<u>(308)</u>	<u>(6,009)</u>	<u>(6,874)</u>
72,748	—	—	72,748
(74,424)	—	—	(74,424)
<u>2,792</u>	<u>112</u>	<u>190</u>	<u>3,471</u>
<u>1,116</u>	<u>112</u>	<u>190</u>	<u>1,795</u>
(15,645)	229	9,687	6,235
<u>32,592</u>	<u>19,286</u>	<u>40,711</u>	<u>129,899</u>
<u>\$ 16,947</u>	<u>\$ 19,515</u>	<u>\$ 50,398</u>	<u>\$ 136,134</u>

(continued)

State of Georgia

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Department of Administrative Services	Georgia Building Authority	Georgia Correctional Industries Administration
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:			
Operating Income (Loss)	\$ 725	\$ (10,413)	\$ 1,319
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:			
Depreciation Expense	—	18,595	1,791
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Accounts Receivable	(393)	(46)	(477)
Due from Other Funds	—	(820)	—
Due from Component Units	—	—	—
Other Assets	—	49	3,041
Deferred Outflows of Resources	(738)	(1,470)	(1,909)
Accounts Payable and Other Accruals	1,082	1,156	1,861
Due to Other Funds	—	(866)	487
Unearned Revenue	—	(15)	—
Claims and Judgments Payable	—	—	—
Compensated Absences Payable	—	23	(26)
Net Pension Liability	696	1,753	2,525
Other Liabilities	(626)	—	(3,711)
Deferred Inflows of Resources	(360)	(950)	(1,139)
Net Cash Provided by (Used in) Operating Activities	<u>386</u>	<u>6,996</u>	<u>3,762</u>
Noncash Investing, Capital, and Financing Activities:			
Donation of Capital Assets	\$ —	\$ 14,461	\$ —
Transfer of Capital Assets	—	—	—
Total Noncash Investing, Capital and Financing Activities:	<u>\$ —</u>	<u>\$ 14,461</u>	<u>\$ —</u>



Risk Management (see combining)	State Road and Tollway Authority- Customer Service Center	Georgia Technology Authority	Total
\$ (17,312)	\$ 1,304	\$ 17,711	\$ (6,666)
—	103	1,800	22,289
(13,048)	(23)	(1,047)	(15,034)
(91,376)	—	(8,687)	(100,883)
—	—	31	31
(57)	48	1	3,082
(358)	(1,217)	(3,142)	(8,834)
912	15	4,126	9,152
—	—	—	(379)
—	1,416	2,736	4,137
97,275	—	—	97,275
—	260	(104)	153
333	963	5,280	11,550
67	—	—	(4,270)
(221)	(507)	(2,690)	(5,867)
<u>(23,785)</u>	<u>2,362</u>	<u>16,015</u>	<u>5,736</u>
\$ —	\$ —	\$ —	\$ 14,461
(1,350)	—	—	(1,350)
<u>\$ (1,350)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,111</u>

State of Georgia

Combining Statement of Net Position

Internal Service Funds

Risk Management

June 30, 2017

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Assets			
Current Assets:			
Pooled Investments with State Treasury	\$ —	\$ 12,796	\$ 1,706
Investments	—	8,676	89
Accounts Receivable (Net)	17,963	238	—
Due From Other Funds	115,618	22	—
Other Assets	—	57	—
Noncurrent Assets:			
Investments	—	45,199	465
Total Assets	133,581	66,988	2,260
Deferred Outflows of Resources	225	214	13
Liabilities			
Current Liabilities:			
Cash Overdraft	111	823	9
Accounts Payable and Other Accruals	136	930	1
Claims and Judgments Payable	132,683	13,728	1,003
Other Current Liabilities	46	21	—
Noncurrent Liabilities:			
Net Pension Liability	827	812	66
Total Liabilities	133,803	16,314	1,079
Deferred Inflows of Resources	3	3	—
Net Position			
Unrestricted	\$ —	\$ 50,885	\$ 1,194



Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ —	\$ 617	\$ 3,834	\$ —	\$ 18,953
—	413	2,568	—	11,746
—	—	170	53,911	72,282
—	—	—	535,911	651,551
—	—	—	—	57
—	2,163	13,448	—	61,275
—	3,193	20,020	589,822	815,864
—	—	7	330	789
—	40	247	776	2,006
—	—	—	244	1,311
—	61	1,834	587,814	737,123
—	—	—	14	81
—	—	36	1,299	3,040
—	101	2,117	590,147	743,561
—	—	—	5	11
<u>\$ —</u>	<u>\$ 3,092</u>	<u>\$ 17,910</u>	<u>\$ —</u>	<u>\$ 73,081</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, 2017

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Operating Revenues:			
Contributions/Premiums	\$ 86,393	\$ 25,744	\$ —
Total Operating Revenues	<u>86,393</u>	<u>25,744</u>	<u>—</u>
Operating Expenses:			
Personal Services	691	642	11
Services and Supplies	4,160	16,025	28
Claims and Judgments	81,820	20,071	475
Total Operating Expenses	<u>86,671</u>	<u>36,738</u>	<u>514</u>
Operating Income (Loss)	<u>(278)</u>	<u>(10,994)</u>	<u>(514)</u>
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	277	426	—
Other	1	(537)	47
Total Nonoperating Revenues (Expenses)	<u>278</u>	<u>(111)</u>	<u>47</u>
Income (Loss) Before Transfers	<u>—</u>	<u>(11,105)</u>	<u>(467)</u>
Transfers:			
Transfers In	<u>—</u>	<u>—</u>	<u>1,428</u>
Net Transfers	<u>—</u>	<u>—</u>	<u>1,428</u>
Change in Net Position	<u>—</u>	<u>(11,105)</u>	<u>961</u>
Net Position, July 1 - Restated (Note 3)	<u>—</u>	<u>61,990</u>	<u>233</u>
Net Position, June 30	<u>\$ —</u>	<u>\$ 50,885</u>	<u>\$ 1,194</u>



Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ —	\$ —	\$ 5,494	\$ 138,991	\$ 256,622
<u>—</u>	<u>—</u>	<u>5,494</u>	<u>138,991</u>	<u>256,622</u>
—	—	14	852	2,210
—	1	68	9,590	29,872
<u>2</u>	<u>75</u>	<u>3,807</u>	<u>135,602</u>	<u>241,852</u>
<u>2</u>	<u>76</u>	<u>3,889</u>	<u>146,044</u>	<u>273,934</u>
<u>(2)</u>	<u>(76)</u>	<u>1,605</u>	<u>(7,053)</u>	<u>(17,312)</u>
—	—	—	685	1,388
<u>(54)</u>	<u>(31)</u>	<u>(201)</u>	<u>6,368</u>	<u>5,593</u>
<u>(54)</u>	<u>(31)</u>	<u>(201)</u>	<u>7,053</u>	<u>6,981</u>
<u>(56)</u>	<u>(107)</u>	<u>1,404</u>	<u>—</u>	<u>(10,331)</u>
<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,430</u>
<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,430</u>
(54)	(107)	1,404	—	(8,901)
<u>54</u>	<u>3,199</u>	<u>16,506</u>	<u>—</u>	<u>81,982</u>
<u>\$ —</u>	<u>\$ 3,092</u>	<u>\$ 17,910</u>	<u>\$ —</u>	<u>\$ 73,081</u>

State of Georgia

Combining Statement of Cash Flows

Internal Service Funds

Risk Management

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Liability Insurance Fund	Property Insurance Fund	State Indemnification Fund
Cash Flows from Operating Activities:			
Cash Received from Required Contributions/Premiums	\$ 1,256	\$ 2,484	\$ —
Cash Received from Required Contributions/Premiums (Internal Activity)	29,606	23,035	—
Cash Paid to Vendors	(4,105)	(15,114)	(31)
Cash Paid to Employees	(745)	(675)	(19)
Cash Paid for Claims and Judgments	(38,430)	(14,264)	(451)
Net Cash Provided by (Used in) Operating Activities	<u>(12,418)</u>	<u>(4,534)</u>	<u>(501)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	—	—	1,428
Other Noncapital Receipts	1	—	48
Other Noncapital Payments	—	(538)	—
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>1</u>	<u>(538)</u>	<u>1,476</u>
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	8,407	49,271	—
Purchase of Investments	—	(54,897)	(567)
Interest and Dividends Received	277	1,447	14
Net Cash Provided by (Used in) Investing Activities	<u>8,684</u>	<u>(4,179)</u>	<u>(553)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,733)	(9,251)	422
Cash and Cash Equivalents, July 1	3,622	21,224	1,275
Cash and Cash Equivalents, June 30	<u>\$ (111)</u>	<u>\$ 11,973</u>	<u>\$ 1,697</u>
Reconciliation of Operating Income (Loss) to Net Cash provided by (Used in) Operating Activities:			
Operating Income (Loss)	\$ (278)	\$ (10,994)	\$ (514)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Accounts Receivable	(7,764)	(146)	—
Due from Other Funds	(47,768)	(22)	—
Other Assets	—	(57)	—
Deferred Outflows of Resources	(109)	(99)	(3)
Accounts Payable and Other Accruals	15	895	—
Claims and Judgments Payable	43,390	5,806	21
Net Pension Liability	113	122	—
Other Liabilities	41	17	—
Deferred Inflows of Resources	(58)	(56)	(5)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (12,418)</u>	<u>\$ (4,534)</u>	<u>\$ (501)</u>
Noncash Investing Activities:			
Change in Fair Value of Investments	<u>\$ 54</u>	<u>\$ (1,021)</u>	<u>\$ (14)</u>



Supplemental Pay Fund	Teacher Indemnification Fund	Unemployment Compensation Fund	Workers' Compensation Fund	Total
\$ —	\$ —	\$ 403	\$ 9,543	\$ 13,686
—	—	4,920	80,895	138,456
(1)	(2)	(82)	(9,564)	(28,899)
—	—	(15)	(1,002)	(2,456)
(2)	(14)	(3,730)	(87,681)	(144,572)
(3)	(16)	1,496	(7,809)	(23,785)
2	—	—	—	1,430
—	—	—	6,368	6,417
(53)	(30)	(202)	—	(823)
(51)	(30)	(202)	6,368	7,024
38	2,236	12,796	—	72,748
—	(2,626)	(16,334)	—	(74,424)
—	50	319	685	2,792
38	(340)	(3,219)	685	1,116
(16)	(386)	(1,925)	(756)	(15,645)
16	963	5,512	(20)	32,592
<u>\$ —</u>	<u>\$ 577</u>	<u>\$ 3,587</u>	<u>\$ (776)</u>	<u>\$ 16,947</u>
\$ (2)	\$ (76)	\$ 1,605	\$ (7,053)	\$ (17,312)
—	—	(170)	(4,968)	(13,048)
—	—	—	(43,586)	(91,376)
—	—	—	—	(57)
—	—	(2)	(145)	(358)
(1)	—	(15)	18	912
—	60	77	47,921	97,275
—	—	4	94	333
—	—	—	9	67
—	—	(3)	(99)	(221)
<u>\$ (3)</u>	<u>\$ (16)</u>	<u>\$ 1,496</u>	<u>\$ (7,809)</u>	<u>\$ (23,785)</u>
<u>\$ —</u>	<u>\$ (50)</u>	<u>\$ (319)</u>	<u>\$ —</u>	<u>\$ (1,350)</u>



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 **Early Retirement Pension Plan - August University** 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.

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 **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.



Description of Fiduciary Funds

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.

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.



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. 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. The primary objectives of the pool is the prudent management of public funds on behalf of the State and local governments seeking income higher than money market rates.

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.

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:



Description of Fiduciary Funds

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 Fund is used to account for the collection and disbursement of local option sales taxes on behalf of county and municipal governments. This fund includes activity for Education Local Option Sales Tax, Homestead Option Sales Tax, Local Option Sales Tax, MARTA Sales Tax, Special Purpose Local Option Sales Tax, and the Transportation Investment Act.

Survivor Benefit Fund (SBF) is within the Employees Retirement System (ERS) trust and 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 such coverage and cannot be used to pay pension benefits and expenses of ERS.

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.

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, 2017

(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
Assets					
Cash and Cash Equivalents	\$ 1,920,316	\$ 24,971	\$ 16,882	\$ 1,178	\$ 339
Pooled Investments with State Treasury	570	—	—	18	—
Receivables					
Interest and Dividends	238,029	359	—	—	—
Due from Brokers for Securities Sold	66,985	—	—	—	—
Other	208,530	934	3,069	421	—
Due from Other Funds	—	—	—	—	—
Investments					
Pooled Investments	14,209,704	—	—	—	—
Mutual Funds	612,901	—	830,611	590,678	1,030
Municipal, U.S. and Foreign Government Obligations	11,751,996	39,871	—	—	—
Corporate Bonds/Notes/Debentures	8,744,410	45,603	—	—	446
Stocks	49,988,178	—	6,834	6,327	5,364
Asset-backed Securities	13,439	—	—	—	—
Exchange Traded Funds	16,789	—	—	—	—
Mortgage Investments	113,044	—	—	—	—
Real Estate Investment Trusts	43,049	—	—	—	415
Capital Assets					
Land	8,867	—	—	—	—
Buildings	7,793	—	—	—	—
Software	29,453	—	—	—	—
Machinery and Equipment	6,767	—	—	—	—
Works of Art	114	—	—	—	—
Accumulated Depreciation	(36,601)	—	—	—	—
Total Assets	87,944,333	111,738	857,396	598,622	7,594
Deferred Outflows of Resources	8,483	—	—	—	—
Liabilities					
Accounts Payable and Other Accruals	37,332	464	2,399	1,009	—
Due to Other Funds	634	—	—	—	—
Due to Brokers for Securities Purchased	96,532	—	—	—	—
Salaries/Withholdings Payable	31	—	—	—	—
Benefits Payable	—	—	—	—	—
Notes Payable	17	—	—	—	—
Unearned Revenue	5	—	—	—	—
Compensated Absences Payable	55	—	—	—	—
Net Pension Liability	33,057	—	—	—	—
Other Current Liabilities	15	—	—	—	—
Total Liabilities	167,678	464	2,399	1,009	—
Deferred Inflows of Resources	76	—	—	—	—
Net Position					
Restricted for:					
Pension Benefits	87,785,062	111,274	854,997	597,613	7,594
Other Postemployment Benefits	—	—	—	—	—
Total Net Position	\$ 87,785,062	\$ 111,274	\$ 854,997	\$ 597,613	\$ 7,594



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	Total
\$ 8,260	\$ 1	\$ —	\$ 160	\$ 1,972,107
—	855,277	229,346	—	1,085,211
—	—	—	—	238,388
—	—	—	—	66,985
—	5,675	14,329	—	232,958
—	105,668	43,232	555	149,455
7,102	—	—	1,120,853	15,337,659
—	—	—	—	2,035,220
—	—	—	—	11,791,867
—	—	—	—	8,790,459
—	—	—	—	50,006,703
—	—	—	—	13,439
—	—	—	—	16,789
—	—	—	—	113,044
—	—	—	—	43,464
—	—	—	—	8,867
—	—	—	—	7,793
—	—	—	—	29,453
—	—	—	—	6,767
—	—	—	—	114
—	—	—	—	(36,601)
<u>15,362</u>	<u>966,621</u>	<u>286,907</u>	<u>1,121,568</u>	<u>91,910,141</u>
—	—	—	—	8,483
7	158	355	317	42,041
—	—	—	—	634
—	—	—	—	96,532
—	—	—	—	31
7,498	10,090	26,018	—	43,606
—	—	—	—	17
—	—	—	—	5
—	—	—	—	55
—	—	—	—	33,057
—	—	—	—	15
<u>7,505</u>	<u>10,248</u>	<u>26,373</u>	<u>317</u>	<u>215,993</u>
—	—	—	—	76
—	—	—	—	89,356,540
<u>7,857</u>	<u>956,373</u>	<u>260,534</u>	<u>1,121,251</u>	<u>2,346,015</u>
<u>\$ 7,857</u>	<u>\$ 956,373</u>	<u>\$ 260,534</u>	<u>\$ 1,121,251</u>	<u>\$ 91,702,555</u>

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, 2017

(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
Additions:					
Contributions					
Employer	\$ 2,283,378	\$ —	\$ 36,761	\$ —	\$ 744
NonEmployer	103,246	—	—	—	—
Plan Members	763,978	14,921	93,608	18,899	267
Other Contributions					
Insurance Premiums	—	—	—	—	—
Other Fees	348	—	—	—	—
Interest and Other Investment Income					
Dividends and Interest	1,844,887	1,871	553	610	193
Net Appreciation (Depreciation) in Investments Reported at Fair Value	8,011,479	(2,871)	90,838	59,625	642
Less: Investment Expense	(66,164)	(56)	(2,620)	(694)	—
Other					
Transfers from Other Funds	2,286	—	—	—	—
Miscellaneous	775	—	1,584	—	—
Total Additions	12,944,213	13,865	220,724	78,440	1,846
Deductions:					
General and Administrative Expenses	31,077	785	3,096	789	—
Benefits	6,045,853	—	55,866	38,872	—
Refunds	88,167	11,544	—	—	—
Total Deductions	6,165,097	12,329	58,962	39,661	—
Change in Net Position Restricted for:					
Pension and Other Employee Benefits	6,779,116	1,536	161,762	38,779	1,846
Net Position, July 1	81,005,946	109,738	693,235	558,834	5,748
Net Position, June 30	\$ 87,785,062	\$ 111,274	\$ 854,997	\$ 597,613	\$ 7,594



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	Total
\$ 99,584	\$ 599,622	\$ 552,251	\$ 1	\$ 3,572,341
—	—	—	—	103,246
—	—	—	—	891,673
—	—	—	3,793	3,793
—	—	—	—	348
80	4,712	1,153	23,696	1,877,755
(2)	—	—	102,875	8,262,586
(6)	—	—	(1,021)	(70,561)
—	—	—	—	2,286
—	—	—	—	2,359
<u>99,656</u>	<u>604,334</u>	<u>553,404</u>	<u>129,344</u>	<u>14,645,826</u>
5,045	8,435	18,339	576	68,142
89,653	155,787	369,943	36,058	6,792,032
—	—	—	—	99,711
<u>94,698</u>	<u>164,222</u>	<u>388,282</u>	<u>36,634</u>	<u>6,959,885</u>
4,958	440,112	165,122	92,710	7,685,941
<u>2,899</u>	<u>516,261</u>	<u>95,412</u>	<u>1,028,541</u>	<u>84,016,614</u>
<u>\$ 7,857</u>	<u>\$ 956,373</u>	<u>\$ 260,534</u>	<u>\$ 1,121,251</u>	<u>\$ 91,702,555</u>



**Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
Defined Benefit Pension Plans
June 30, 2017**

(dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
Assets				
Cash and Cash Equivalents	\$ 190,515	\$ 44,156	\$ 572	\$ 23,605
Pooled Investments with State Treasury	532	—	7	28
Receivables				
Interest and Dividends	43,440	1,996	—	459
Due from Brokers for Securities Sold	10,241	8,693	—	1,712
Other	36,071	—	801	272
Investments				
Pooled Investments	12,846,588	—	440,443	53,721
Mutual Funds	—	306,813	—	69,481
Municipal, U.S. and Foreign Government Obligations	—	52,190	—	72,683
Corporate Bonds/Notes/Debentures	—	101,347	—	22,296
Stocks	—	207,625	—	192,290
Asset-backed Securities	—	4,241	—	2,927
Exchange Traded Funds	—	—	—	1,303
Mortgage Investments	—	96,120	—	2,871
Real Estate Investment Trusts	—	39,769	—	208
Capital Assets				
Land	4,342	85	—	—
Buildings	2,800	1,535	—	—
Software	14,345	—	—	—
Machinery and Equipment	3,285	126	—	—
Works of Art	—	114	—	—
Accumulated Depreciation	(17,868)	(638)	—	—
Total Assets	13,134,291	864,172	441,823	443,856
Deferred Outflow of Resources	—	—	—	—
Liabilities				
Accounts Payable and Other Accruals	24,251	2,109	630	929
Due to Other Funds	618	—	11	1
Due to Brokers for Securities Purchased	11,123	18,594	—	4,448
Salaries/Withholdings Payable	—	—	—	28
Notes Payable	—	—	—	—
Unearned Revenue	—	—	—	5
Compensated Absences Payable	—	55	—	—
Net Pension Liability	—	—	—	—
Other Current Liabilities	—	—	—	—
Total Liabilities	35,992	20,758	641	5,411
Deferred Inflow of Resources	—	—	—	—
Net Position				
Restricted for Pension Benefits	\$ 13,098,299	\$ 843,414	\$ 441,182	\$ 438,445



Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
\$ 27,484	\$ 3	\$ 1,633,981	\$ 1,920,316
—	—	3	570
806	—	191,328	238,029
3,724	—	42,615	66,985
—	156	171,230	208,530
—	868,952	—	14,209,704
236,607	—	—	612,901
60,949	—	11,566,174	11,751,996
47,519	—	8,573,248	8,744,410
351,970	—	49,236,293	49,988,178
6,271	—	—	13,439
15,486	—	—	16,789
14,053	—	—	113,044
3,072	—	—	43,049
98	—	4,342	8,867
658	—	2,800	7,793
128	—	14,980	29,453
65	—	3,291	6,767
—	—	—	114
(320)	—	(17,775)	(36,601)
<u>768,570</u>	<u>869,111</u>	<u>71,422,510</u>	<u>87,944,333</u>
—	—	8,483	8,483
—	977	8,436	37,332
—	—	4	634
13,919	—	48,448	96,532
3	—	—	31
17	—	—	17
—	—	—	5
—	—	—	55
—	—	33,057	33,057
15	—	—	15
<u>13,954</u>	<u>977</u>	<u>89,945</u>	<u>167,678</u>
—	—	76	76
<u>\$ 754,616</u>	<u>\$ 868,134</u>	<u>\$ 71,340,972</u>	<u>\$ 87,785,062</u>



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, 2017 (dollars in thousands)

	Employees' Retirement System	Firefighters' Pension Fund	Georgia Judicial Retirement System	Other Defined Benefit Plans (see combining)
Additions:				
Contributions				
Employer	\$ 613,191	\$ —	\$ 4,081	\$ 14,213
NonEmployer	12,080	34,152	2,603	7,954
Plan Members	35,863	3,952	4,906	940
Other Contributions				
Other Fees	10	337	—	1
Interest and Other Investment Income				
Dividends and Interest	278,816	16,670	9,290	15,805
Net Appreciation (Depreciation) in Investments				
Reported at Fair Value	1,210,456	72,448	40,331	16,365
Less: Investment Expense	(13,646)	(4,763)	(362)	(2,211)
Other				
Transfers from Other Funds	10	—	—	2,018
Miscellaneous	—	703	—	7
Total Additions	2,136,780	123,499	60,849	55,092
Deductions:				
General and Administrative Expenses	8,732	1,341	728	1,248
Benefits	1,394,283	44,301	21,784	32,767
Refunds	9,033	1,121	166	114
Total Deductions	1,412,048	46,763	22,678	34,129
Change in Net Position Restricted for Pension Benefits	724,732	76,736	38,171	20,963
Net Position, July 1	12,373,567	766,678	403,011	417,482
Net Position, June 30	\$ 13,098,299	\$ 843,414	\$ 441,182	\$ 438,445



Peace Officers' Annuity and Benefit Fund	Public School Employees Retirement System	Teachers Retirement System	Total
\$ 3,482	\$ —	\$ 1,648,411	\$ 2,283,378
14,005	26,277	6,175	103,246
—	2,084	716,233	763,978
—	—	—	348
15,518	18,431	1,490,357	1,844,887
69,219	80,018	6,522,642	8,011,479
(3,126)	(734)	(41,322)	(66,164)
—	—	258	2,286
65	—	—	775
<u>99,163</u>	<u>126,076</u>	<u>10,342,754</u>	<u>12,944,213</u>
947	1,308	16,773	31,077
32,216	59,378	4,461,124	6,045,853
406	1,031	76,296	88,167
<u>33,569</u>	<u>61,717</u>	<u>4,554,193</u>	<u>6,165,097</u>
65,594	64,359	5,788,561	6,779,116
<u>689,022</u>	<u>803,775</u>	<u>65,552,411</u>	<u>81,005,946</u>
<u>\$ 754,616</u>	<u>\$ 868,134</u>	<u>\$ 71,340,972</u>	<u>\$ 87,785,062</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, 2017

(dollars in thousands)

	District Attorneys Retirement Fund	Early Retirement Pension Plan - Augusta University	Judges of the Probate Courts Retirement Fund	Legislative Retirement System	Magistrates Retirement Fund
Assets					
Cash and Cash Equivalents	\$ 3	\$ 6,241	\$ 8,370	\$ —	\$ 1,165
Pooled Investments with State Treasury	—	—	—	28	—
Receivables					
Interest and Dividends	—	—	—	—	—
Due from Brokers for Securities Sold	—	—	64	—	—
Other	—	—	—	29	—
Investments					
Pooled Investments	—	—	—	33,039	—
Mutual Funds	—	44,175	—	—	1,179
Municipal, U.S. and Foreign Government Obligations	—	—	6,966	—	7,545
Corporate Bonds/Notes/Debentures	—	12,190	3,317	—	—
Stocks	—	27,802	57,133	—	12,015
Asset-backed Securities	—	—	644	—	—
Exchange Traded Funds	—	—	—	—	—
Mortgage Investments	—	—	286	—	—
Real Estate Investment Trusts	—	—	—	—	—
Total Assets	3	90,408	76,780	33,096	21,904
Liabilities					
Accounts Payable and Other Accruals	1	—	—	100	—
Cash Overdraft	—	—	—	14	—
Due to Other Funds	—	—	—	1	—
Due to Brokers for Securities Purchased	—	—	21	—	—
Salaries/Withholdings Payable	—	—	—	—	28
Unearned Revenue	—	—	—	—	—
Total Liabilities	1	—	21	115	28
Net Position					
Restricted for Pension Benefits	\$ 2	\$ 90,408	\$ 76,759	\$ 32,981	\$ 21,876



Georgia Military Pension Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
\$ 94	\$ 3,190	\$ 4,533	\$ 23	\$ 23,619
—	—	—	—	28
—	147	312	—	459
—	160	1,488	—	1,712
—	—	243	—	272
20,682	—	—	—	53,721
—	24,127	—	—	69,481
—	8,650	49,522	—	72,683
—	6,789	—	—	22,296
—	43,685	51,655	—	192,290
—	2,283	—	—	2,927
—	1,303	—	—	1,303
—	2,585	—	—	2,871
—	208	—	—	208
<u>20,776</u>	<u>93,127</u>	<u>107,753</u>	<u>23</u>	<u>443,870</u>
65	612	134	17	929
—	—	—	—	14
—	—	—	—	1
—	—	4,427	—	4,448
—	—	—	—	28
—	—	5	—	5
<u>65</u>	<u>612</u>	<u>4,566</u>	<u>17</u>	<u>5,425</u>
<u>\$ 20,711</u>	<u>\$ 92,515</u>	<u>\$ 103,187</u>	<u>\$ 6</u>	<u>\$ 438,445</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, 2017

(dollars in thousands)

	District Attorneys Retirement Fund	Early Retirement Pension Plan - Augusta University	Judges of the Probate Courts Retirement Fund	Legislative Retirement System	Magistrates Retirement Fund
Additions:					
Contributions					
Employer	\$ 51	\$ 13,085	\$ —	\$ —	\$ —
NonEmployer	—	—	1,420	—	1,533
Plan Members	—	—	156	327	172
Other Contributions					
Other Fees	—	—	—	—	—
Interest and Other Investment Income					
Dividends and Interest	4	1,607	1,559	705	413
Net Appreciation (Depreciation) in Investments Reported at Fair Value	—	9,172	369	3,060	40
Less: Investment Expense	—	(163)	(631)	(24)	(285)
Other					
Transfers from Other Funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total Additions	55	23,701	2,873	4,068	1,873
Deductions:					
General and Administrative Expenses	4	—	126	224	107
Benefits	51	13,617	3,917	1,763	122
Refunds	—	—	7	75	—
Total Deductions	55	13,617	4,050	2,062	229
Change in Net Position Restricted for Pension Benefits	—	10,084	(1,177)	2,006	1,644
Net Position, July 1	2	80,324	77,936	30,975	20,232
Net Position, June 30	\$ 2	\$ 90,408	\$ 76,759	\$ 32,981	\$ 21,876



Georgia Military Pension Fund	Sheriffs' Retirement Fund	Superior Court Clerks' Retirement Fund	Superior Court Judges Retirement Fund	Total
\$ —	\$ —	\$ —	\$ 1,077	\$ 14,213
—	1,916	3,085	—	7,954
—	110	175	—	940
—	—	—	1	1
426	11,091	—	—	15,805
1,850	2,375	(501)	—	16,365
(14)	(566)	(528)	—	(2,211)
2,018	—	—	—	2,018
—	7	—	—	7
<u>4,280</u>	<u>14,933</u>	<u>2,231</u>	<u>1,078</u>	<u>55,092</u>
244	257	285	1	1,248
1,042	5,888	5,288	1,079	32,767
—	14	18	—	114
<u>1,286</u>	<u>6,159</u>	<u>5,591</u>	<u>1,080</u>	<u>34,129</u>
2,994	8,774	(3,360)	(2)	20,963
<u>17,717</u>	<u>83,741</u>	<u>106,547</u>	<u>8</u>	<u>417,482</u>
<u>\$ 20,711</u>	<u>\$ 92,515</u>	<u>\$ 103,187</u>	<u>\$ 6</u>	<u>\$ 438,445</u>



Combining Statement of Fiduciary Net Position

Investment Trust Funds

June 30, 2017

(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Total
Assets			
Pooled Investments with State Treasury	\$ 72,674	\$ 6,626,434	\$ 6,699,108
Interest Receivable	3	493	496
Total Assets	<u>72,677</u>	<u>6,626,927</u>	<u>6,699,604</u>
Liabilities			
Accounts Payable and Other Accruals	4	—	4
Net Position			
Restricted for Pool Participants	<u>\$ 72,673</u>	<u>\$ 6,626,927</u>	<u>\$ 6,699,600</u>



Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Georgia Extended Asset Pool	Georgia Fund 1	Total
Additions:			
Pool Participant Deposits	\$ 16,100	\$ 9,061,499	\$ 9,077,599
Interest and Other Investment Income			
Dividends and Interest	678	43,377	44,055
Net Appreciation (Depreciation) in Investments Reported at Fair Value	51	—	51
Less: Investment Expense	(51)	(3,476)	(3,527)
Total Additions	16,778	9,101,400	9,118,178
Deductions:			
Pool Participant Withdrawals	61,373	9,339,006	9,400,379
Change in Net Position Restricted for Pool Participants	(44,595)	(237,606)	(282,201)
Net Position, July 1	117,268	6,864,533	6,981,801
Net Position, June 30	<u>\$ 72,673</u>	<u>\$ 6,626,927</u>	<u>\$ 6,699,600</u>



Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2017

(dollars in thousands)

	Auctioneers Education, Research and Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Assets				
Cash and Cash Equivalents	\$ 131	\$ —	\$ 16,139	\$ 16,270
Pooled Investments with State Treasury	548	2,228	131,355	134,131
Receivables				
Other	—	—	5,904	5,904
Capital Assets				
Buildings	—	—	826	826
Machinery and Equipment	—	—	94	94
Accumulated Depreciation	—	—	(588)	(588)
Total Assets	679	2,228	153,730	156,637
Deferred Outflows of Resources				
	—	—	371	371
Liabilities				
Accounts Payable and Other Accruals	—	—	12	12
Cash Overdraft	—	610	—	610
Due to Other Funds	—	—	2	2
Compensated Absences Payable	—	—	154	154
Net Pension Liability	—	—	1,640	1,640
Other Liabilities	—	—	349	349
Total Liabilities	—	610	2,157	2,767
Deferred Inflows of Resources				
	—	—	198	198
Net Position				
Restricted for Other Purposes	\$ 679	\$ 1,618	\$ 151,746	\$ 154,043



Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Auctioneers Education, Research and Recovery Fund	Real Estate Education, Research and Recovery Fund	Subsequent Injury Trust Fund	Total
Additions:				
Contributions/Assessments				
Participants	\$ 17	\$ 167	\$ 106,363	\$ 106,547
Interest and Other Investment Income				
Dividends and Interest	—	5	831	836
Total Additions	17	172	107,194	107,383
Deductions:				
General and Administrative Expenses	—	119	1,368	1,487
Benefits	—	—	33,007	33,007
Total Deductions	—	119	34,375	34,494
Change in Net Position Restricted for Other Purposes	17	53	72,819	72,889
Net Position, July 1	662	1,565	78,927	81,154
Net Position, June 30	<u>\$ 679</u>	<u>\$ 1,618</u>	<u>\$ 151,746</u>	<u>\$ 154,043</u>

State of Georgia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2017

(dollars in thousands)

	Child Support Recovery Program	County Medicaid Administrative Funds	Detainees' Accounts	Flexible Benefits Program	Insurance Premium Tax Collections for Local Governments
Assets					
Cash and Cash Equivalents	\$ 37,634	\$ 2,605	\$ 46,665	\$ 3,932	\$ —
Pooled Investments with State Treasury	—	—	—	9,939	—
Accounts Receivable	—	30,459	—	—	—
Investments, at Fair Value					
Certificates of Deposit	—	—	—	—	—
Pooled Investments	—	—	—	—	—
Municipal, U. S. and Foreign Government Obligations	—	—	—	—	—
Other Assets	—	—	—	—	—
Total Assets	\$ 37,634	\$ 33,064	\$ 46,665	\$ 13,871	\$ —
Liabilities					
Accounts Payable and Other Accruals	—	66	—	1,039	—
Funds Held for Others	37,634	32,998	46,665	12,832	—
Other Liabilities	—	—	—	—	—
Total Liabilities	\$ 37,634	\$ 33,064	\$ 46,665	\$ 13,871	\$ —



Sales Tax Collections for Local Governments	Survivor's Benefit Fund	Telecom- munications Relay Service Fund	Universal Service Fund	Miscellaneous	Total
\$ —	\$ 92	\$ 101	\$ 3,635	\$ 24,352	\$ 119,016
4,568	—	4,897	—	44,364	63,768
2,975	—	—	—	630	34,064
—	—	—	—	1,482	1,482
—	135,951	—	—	216	136,167
—	—	—	36,309	—	36,309
—	—	—	—	11,129	11,129
<u>\$ 7,543</u>	<u>\$ 136,043</u>	<u>\$ 4,998</u>	<u>\$ 39,944</u>	<u>\$ 82,173</u>	<u>\$ 401,935</u>
—	—	—	—	1,117	2,222
7,543	136,043	4,998	39,944	81,047	399,704
—	—	—	—	9	9
<u>\$ 7,543</u>	<u>\$ 136,043</u>	<u>\$ 4,998</u>	<u>\$ 39,944</u>	<u>\$ 82,173</u>	<u>\$ 401,935</u>

State of Georgia

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Child Support Recovery Program				
Assets				
Cash and Cash Equivalents	\$ 47,141	\$ 828,029	\$ 837,536	\$ 37,634
Liabilities				
Funds Held for Others	\$ 47,141	\$ 825,816	\$ 835,323	\$ 37,634
County Medicaid Administrative Funds				
Assets				
Cash and Cash Equivalents	\$ (944)	\$ 38,723	\$ 35,174	\$ 2,605
Accounts Receivable	5,371	43,911	18,823	30,459
Total Assets	\$ 4,427	\$ 82,634	\$ 53,997	\$ 33,064
Liabilities				
Accounts Payable and Other Accruals	\$ 54	\$ 19,824	\$ 19,812	\$ 66
Funds Held for Others	4,373	74,293	45,668	32,998
Total Liabilities	\$ 4,427	\$ 94,117	\$ 65,480	\$ 33,064
Detainees' Accounts				
Assets				
Cash and Cash Equivalents	\$ 47,771	\$ 194,320	\$ 195,426	\$ 46,665
Liabilities				
Funds Held for Others	\$ 47,771	\$ 194,320	\$ 195,426	\$ 46,665
Flexible Benefits Program				
Assets				
Cash and Cash Equivalents	\$ 3,170	\$ 97,606	\$ 96,844	\$ 3,932
Pooled Investments with State Treasury	11,187	122,545	123,793	9,939
Total Assets	\$ 14,357	\$ 220,151	\$ 220,637	\$ 13,871
Liabilities				
Accounts Payable and Other Accruals	\$ 1,733	\$ 147,511	\$ 148,205	\$ 1,039
Funds Held for Others	12,624	146,422	146,214	12,832
Total Liabilities	\$ 14,357	\$ 293,933	\$ 294,419	\$ 13,871
Insurance Premium Tax Collections for Local Governments				
Assets				
Cash and Cash Equivalents	\$ —	\$ 568,075	\$ 568,075	\$ —
Liabilities				
Funds Held for Others	\$ —	\$ 568,075	\$ 568,075	\$ —
Sales Tax Collections for Local Governments				
Assets				
Cash and Cash Equivalents	\$ —	\$ 4,939,209	\$ 4,939,209	\$ —
Pooled Investments with State Treasury	4,381	189	2	4,568
Accounts Receivable	2,964	2,975	2,964	2,975
Total Assets	\$ 7,345	\$ 4,942,373	\$ 4,942,175	\$ 7,543
Liabilities				
Funds Held for Others	\$ 7,345	\$ 4,942,373	\$ 4,942,175	\$ 7,543
Survivor's Benefit Fund				
Assets				
Cash and Cash Equivalents	\$ 93	\$ —	\$ 1	\$ 92
Investments	120,871	15,080	—	135,951
Total Assets	\$ 120,964	\$ 15,080	\$ 1,000	\$ 136,043
Liabilities				
Funds Held for Others	\$ 120,964	\$ 15,080	\$ 1	\$ 136,043



	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Telecommunications Relay Service Fund				
Assets				
Cash and Cash Equivalents	\$ 100	\$ 3,184	\$ 3,183	\$ 101
Pooled Investments with State Treasury	4,856	(259)	(300)	4,897
Total Assets	\$ 4,956	\$ 2,925	\$ 2,883	\$ 4,998
Liabilities				
Funds Held for Others	\$ 4,956	\$ 3,211	\$ 3,169	\$ 4,998
Universal Service Fund				
Assets				
Cash and Cash Equivalents	\$ 5,534	\$ 22,941	\$ 24,840	\$ 3,635
Investments	59,262	11,367	34,320	36,309
Total Assets	\$ 64,796	\$ 34,308	\$ 59,160	\$ 39,944
Liabilities				
Funds Held for Others	\$ 64,796	\$ 34,308	\$ 59,160	\$ 39,944
Miscellaneous				
Assets				
Cash and Cash Equivalents	\$ 28,352	\$ 130,048	\$ 134,048	\$ 24,352
Pooled Investments with State Treasury	49,072	37,624	42,332	44,364
Accounts Receivable	229	4,927	4,526	630
Investments	1,726	103	131	1,698
Other Assets	11,922	12,324	13,117	11,129
Total Assets	\$ 91,301	\$ 185,026	\$ 194,154	\$ 82,173
Liabilities				
Accounts Payable and Other Accruals	\$ 1,333	\$ 31,373	\$ 31,589	\$ 1,117
Funds Held for Others	89,957	132,284	141,194	81,047
Other Liabilities	11	12	14	9
Total Liabilities	\$ 91,301	\$ 163,669	\$ 172,797	\$ 82,173
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	\$ 131,217	\$ 6,822,135	\$ 6,834,336	\$ 119,016
Pooled Investments with State Treasury	69,496	160,099	165,827	63,768
Accounts Receivable	8,564	51,813	26,313	34,064
Investments	181,859	26,550	34,451	173,958
Other Assets	11,922	12,324	13,117	11,129
Total Assets	\$ 403,058	\$ 7,072,921	\$ 7,074,044	\$ 401,935
Liabilities				
Accounts Payable and Other Accruals	\$ 3,120	\$ 198,708	\$ 199,606	\$ 2,222
Funds Held for Others	399,927	6,936,182	6,936,405	399,704
Other Liabilities	11	12	14	9
Total Liabilities	\$ 403,058	\$ 7,134,902	\$ 7,136,025	\$ 401,935



NONMAJOR COMPONENT UNITS





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 **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.

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.



Description of Nonmajor Component Units

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, 2017

(dollars in thousands)

	Economic Development Organizations	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Higher Education Foundations	Georgia Highway Authority	Georgia Military College
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 17,208	\$ —	\$ 4,065	\$ 327,992	\$ —	\$ 12,520
Pooled Investments with State Treasury	102,622	—	15,042	279	—	—
Investments	506	—	—	183,314	—	—
Receivables						
Accounts (Net)	1,044	—	—	369,315	—	4,906
Capital Leases from Primary Government	—	—	—	69,890	—	—
Interest and Dividends	1,626	—	—	—	—	—
Notes and Loans (Net)	19,218	—	—	600	—	—
Taxes	803	—	—	—	—	—
Due from Primary Government	103,000	—	218	9,026	—	—
Due from Component Units	—	—	—	—	—	—
Intergovernmental Receivables	20	—	133	—	—	—
Other Current Assets	1,157	—	—	78,406	—	1,919
Noncurrent Assets:						
Investments	—	—	—	737,914	—	—
Receivables (Net)						
Capital Leases from Primary Government	—	—	—	2,144,570	—	—
Notes and Loans	82,566	—	—	—	—	—
Other	1,468	—	—	78,855	—	—
Restricted Assets						
Cash and Cash Equivalents	—	—	—	190,437	—	—
Investments	—	—	—	1,136,443	—	—
Non-depreciable Capital Assets	50	—	—	161,303	—	1,500
Depreciable Capital Assets (Net)	1,503	—	—	838,932	—	70,589
Other Noncurrent Assets	—	—	—	35,279	—	—
Total Assets	332,791	—	19,458	6,362,555	—	91,434
Deferred Outflows of Resources	—	—	—	59,454	—	14,073



Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority	Regional Educational Service Agencies	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Superior Court Clerks' Cooperative Authority	Tourism State Attractions	Total
1,795	\$ —	\$ 21,374	\$ 1,860	\$ 24,363	\$ 10,838	\$ 19,081	\$ 441,096
—	—	2,394	17,065	19,062	—	7,251	163,715
4,832	—	350	—	—	—	138	189,140
1,558	—	1,209	588	11,650	973	4,782	396,025
—	—	—	—	—	—	—	69,890
—	—	—	—	2,020	—	—	3,646
—	—	—	—	122,151	—	—	141,969
—	—	—	—	—	—	—	803
—	—	—	414	778	—	—	113,436
—	—	—	—	290	—	44	334
—	—	8,661	3,219	—	—	—	12,033
—	—	2,861	16	272	85	3,226	87,942
—	—	—	—	—	—	—	737,914
—	—	—	—	—	—	—	2,144,570
—	—	—	—	—	—	—	82,566
—	—	—	—	—	—	—	80,323
—	—	—	—	—	10,294	—	200,731
—	—	—	—	—	—	—	1,136,443
1,479	—	575	—	518	—	36,734	202,159
2,170	—	5,210	560	992	1,128	204,011	1,125,095
—	—	—	—	—	—	—	35,279
<u>11,834</u>	<u>—</u>	<u>42,634</u>	<u>23,722</u>	<u>182,096</u>	<u>23,318</u>	<u>275,267</u>	<u>7,365,109</u>
<u>4,443</u>	<u>—</u>	<u>21,487</u>	<u>905</u>	<u>—</u>	<u>369</u>	<u>4,248</u>	<u>104,979</u>

(continued)

State of Georgia

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2017

(dollars in thousands)

	Economic Development Organizations	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Higher Education Foundations	Georgia Highway Authority	Georgia Military College
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	1,717	—	5	127,879	—	2,170
Due to Primary Government	—	—	—	426,291	—	—
Due to Component Units	—	—	290	—	—	—
Funds Held for Others	—	—	—	35,508	—	127
Unearned Revenue	—	—	—	103,697	—	3,058
Notes and Loans Payable	—	—	—	15,039	—	218
Revenue/Mortgage Bonds Payable	—	—	—	69,671	—	—
Other Current Liabilities	2,384	—	34	87,550	—	595
Current Liabilities Payable from Restricted Assets:						
Other	—	—	—	—	—	—
Noncurrent Liabilities:						
Unearned Revenue	—	—	—	5,822	—	—
Notes and Loans Payable	—	—	—	115,577	—	2,578
Revenue/Mortgage Bonds Payable	—	—	—	2,536,352	—	—
Derivative Instrument Payable	—	—	—	57,857	—	—
Net Pension Liability	—	—	—	—	—	37,650
Other Noncurrent Liabilities	30,718	—	1,664	131,303	—	2
Total Liabilities	34,819	—	1,993	3,712,546	—	46,398
Deferred Inflows of Resources	—	—	—	19,394	—	3,081
Net Position						
Net Investment in Capital Assets,	1,553	—	—	287,597	—	69,278
Restricted for:						
Bond Covenants/Debt Service	—	—	—	28,869	—	—
Capital Projects	—	—	—	174,690	—	—
Higher Education	—	—	—	28,122	—	—
Permanent Trusts						
Expendable	—	—	—	74,004	—	—
Nonexpendable	—	—	—	871,095	—	—
Other Purposes	4,868	—	—	544,120	—	—
Unrestricted	291,551	—	17,465	681,572	—	(13,250)
Total Net Position	\$ 297,972	\$ —	\$ 17,465	\$ 2,690,069	\$ —	\$ 56,028



Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority	Regional Educational Service Agencies	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Superior Court Clerks' Cooperative Authority	Tourism State Attractions	Total
345	—	7,685	3,265	639	3,554	2,582	149,841
12	—	—	345	—	—	6	426,654
—	—	—	—	—	—	44	334
—	—	—	—	—	—	—	35,635
15	—	197	—	479	—	1,618	109,064
—	—	103	—	—	—	954	16,314
—	—	445	—	—	—	466	70,582
299	—	98	219	918	—	279	92,376
—	—	—	—	—	7,604	—	7,604
—	—	—	—	—	—	—	5,822
—	—	380	—	—	—	9,282	127,817
—	—	1,980	—	—	—	6,294	2,544,626
—	—	—	—	—	—	—	57,857
14,679	—	81,854	4,869	—	1,569	15,138	155,759
3,239	—	174	754	3,460	—	665	171,979
<u>18,589</u>	<u>—</u>	<u>92,916</u>	<u>9,452</u>	<u>5,496</u>	<u>12,727</u>	<u>37,328</u>	<u>3,972,264</u>
<u>42</u>	<u>—</u>	<u>6,347</u>	<u>67</u>	<u>—</u>	<u>120</u>	<u>63</u>	<u>29,114</u>
3,649	—	4,495	(412)	1,494	1,129	233,985	602,768
—	—	—	—	—	—	—	28,869
—	—	—	—	—	—	—	174,690
—	—	—	—	—	—	—	28,122
—	—	—	—	—	—	—	74,004
—	—	—	—	—	—	—	871,095
—	—	—	—	137,541	—	7,915	694,444
(6,003)	—	(39,637)	15,520	37,565	9,711	224	994,718
<u>(2,354)</u>	<u>\$ —</u>	<u>\$ (35,142)</u>	<u>\$ 15,108</u>	<u>\$ 176,600</u>	<u>\$ 10,840</u>	<u>\$ 242,124</u>	<u>\$ 3,468,710</u>

State of Georgia

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Economic Development Organizations	Georgia Foundation for Public Education	Georgia Higher Education Assistance Corporation	Higher Education Foundations	Georgia Highway Authority	Georgia Military College
Expenses	\$ 59,964	\$ 4,334	\$ 2,821	\$ 2,457,404	\$ 466	\$ 78,915
Program Revenues:						
Sales and Charges for Services	8,251	—	4,579	1,204,656	—	38,799
Operating Grants and Contributions	887	—	47	1,342,274	—	33,460
Capital Grants and Contributions	—	—	—	1,444	—	937
Total Program Revenues	9,138	—	4,626	2,548,374	—	73,196
Net (Expenses) Revenue	(50,826)	(4,334)	1,805	90,970	(466)	(5,719)
General Revenues:						
Taxes	4,026	—	—	—	—	—
Unrestricted Investment Income	—	—	—	36,225	—	—
Payments from the State of Georgia	103,000	—	—	31,410	—	7,299
Contributions to Permanent Endowments	—	—	—	73,041	—	—
Total General Revenues	107,026	—	—	140,676	—	7,299
Change in Net Position	56,200	(4,334)	1,805	231,646	(466)	1,580
Net Position, July 1 - Restated (Note 3)	241,772	4,334	15,660	2,458,423	466	54,448
Net Position, June 30	\$ 297,972	\$ —	\$ 17,465	\$ 2,690,069	\$ —	\$ 56,028



Georgia Public Telecommunications Commission	Georgia Rail Passenger Authority	Regional Educational Service Agencies	Georgia Regional Transportation Authority	Georgia Student Finance Authority	Superior Court Clerks' Cooperative Authority	Tourism State Attractions	Total
37,898	\$ 107	\$ 95,530	\$ 71,903	\$ 45,949	\$ 15,779	\$ 86,804	\$ 2,957,874
6,574	—	21,564	9,949	39,139	17,445	53,025	1,403,981
12,974	—	72,357	21,063	26,000	26	1,117	1,510,205
965	—	—	702	—	—	12,192	16,240
20,513	—	93,921	31,714	65,139	17,471	66,334	2,930,426
(17,385)	(107)	(1,609)	(40,189)	19,190	1,692	(20,470)	(27,448)
—	—	—	—	—	—	2,059	6,085
—	—	—	—	—	—	—	36,225
15,155	—	—	22,973	—	—	997	180,834
—	—	—	—	—	—	—	73,041
15,155	—	—	22,973	—	—	3,056	296,185
(2,230)	(107)	(1,609)	(17,216)	19,190	1,692	(17,414)	268,737
(124)	107	(33,533)	32,324	157,410	9,148	259,538	3,199,973
(2,354)	\$ —	\$ (35,142)	\$ 15,108	\$ 176,600	\$ 10,840	\$ 242,124	\$ 3,468,710



STATISTICAL SECTION



*INTERSTATE 75 SOUTH METRO EXPRESS LANES
GEORGIA'S FIRST TOLLED, REVERSIBLE EXPRESS LANES SYSTEM*

Henry County, Georgia

Submitted by the Georgia Department of Transportation





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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Financial Trends Information

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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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)

	2017	2016	2015	2014
Governmental Activities ^{(1) (3)}				
Net Investment in Capital Assets	\$ 18,575,368	\$ 17,213,380	\$ 16,562,899	\$ 13,186,605
Restricted	5,013,504	4,499,014	3,668,030	3,653,903
Unrestricted	(5,210,957)	(5,745,504)	(6,914,616)	(1,644,265)
Total Governmental Activities Net Position	<u>\$ 18,377,915</u>	<u>\$ 15,966,890</u>	<u>\$ 13,316,313</u>	<u>\$ 15,196,243</u>
Business-type Activities ^{(1) (2)}				
Net Investment in Capital Assets	\$ 7,773,009	\$ 7,529,660	\$ 7,344,726	\$ 6,575,166
Restricted	2,639,561	1,837,521	1,546,723	1,367,598
Unrestricted	(4,484,701)	(3,857,184)	(3,957,761)	(820,616)
Total Business-type Activities Net Position	<u>\$ 5,927,869</u>	<u>\$ 5,509,997</u>	<u>\$ 4,933,688</u>	<u>\$ 7,122,148</u>
Total Primary Government ^{(1) (2) (3)}				
Net Investment in Capital Assets	\$ 23,502,948	\$ 21,892,080	\$ 20,926,469	\$ 19,761,771
Restricted	7,653,065	6,336,535	5,214,753	5,021,501
Unrestricted	(6,850,229)	(6,751,728)	(7,891,221)	(2,464,881)
Total Primary Government Net Position	<u>\$ 24,305,784</u>	<u>\$ 21,476,887</u>	<u>\$ 18,250,001</u>	<u>\$ 22,318,391</u>

(1) In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit was reported as governmental activities. In fiscal year 2017, SRTA was re-examined again and it was determined that the toll facilities and customer service center (previously part of governmental activities) are now reported as part of business-type activities.

(2) 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 University Real Estate Foundation, Inc., the North Georgia Real Estate Foundation, Inc., and the UWG Real Estate Foundation, Inc. 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 University 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. In fiscal year 2017 the Georgia Southern University Housing Foundation, Inc., UWG Real Estate Foundation, Inc. and VSU Auxiliary Services Real Estate Foundation, Inc. are reported as discrete component units (previously Higher Education Fund).

(3) 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

2013	2012	2011	2010	2009	2008
\$ 13,737,276	\$ 13,355,209	\$ 12,880,313	\$ 12,550,617	\$ 12,066,578	\$ 11,979,690
3,301,316	3,968,493	4,031,347	2,605,116	2,254,051	1,641,507
<u>(1,781,096)</u>	<u>(2,456,411)</u>	<u>(2,106,699)</u>	<u>(648,171)</u>	<u>(468,978)</u>	<u>1,383,624</u>
<u>\$ 15,257,496</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>
\$ 6,502,029	\$ 6,257,436	\$ 5,952,035	\$ 5,426,787	\$ 5,178,579	\$ 4,801,548
816,428	457,265	489,736	423,325	1,022,564	1,745,185
<u>(1,063,406)</u>	<u>(1,293,130)</u>	<u>(1,069,413)</u>	<u>(546,363)</u>	<u>(152,768)</u>	<u>604,035</u>
<u>\$ 6,255,051</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>
\$ 20,239,305	\$ 19,612,645	\$ 18,832,348	\$ 17,977,404	\$ 17,245,157	\$ 16,781,238
4,117,744	4,425,758	4,521,083	3,028,441	3,276,615	3,386,692
<u>(2,844,502)</u>	<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>\$ 21,512,547</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>

State of Georgia

Schedule 2

Changes in Net Position For the Last Ten Fiscal Years (accrual basis of accounting) (dollars in thousands)

	2017	2016	2015	2014
Expenses				
Governmental Activities				
General Government	\$ 1,229,891	\$ 1,385,643	\$ 1,735,174	\$ 1,658,846
Education	12,655,824	12,024,645	11,408,408	10,788,262
Health and Welfare	17,238,499	16,795,986	16,589,708	16,107,840
Transportation ⁽¹⁾	1,964,380	1,917,223	1,904,464	1,845,850
Public Safety	2,628,645	2,145,769	1,994,413	2,002,615
Economic Development and Assistance	645,604	509,074	590,676	510,338
Culture and Recreation	279,375	279,772	236,922	247,170
Conservation	60,603	59,409	54,280	37,002
Interest and Other Charges on Long-Term Debt ⁽¹⁾	394,388	424,595	678,888	592,668
Total Governmental Activities	<u>37,097,209</u>	<u>35,542,116</u>	<u>35,192,933</u>	<u>33,790,591</u>
Business-type Activities				
Higher Education Fund ⁽²⁾	9,063,716	8,576,540	8,323,884	7,984,962
State Employees' Health Benefit Plan	2,296,062	2,153,073	2,025,638	2,032,910
Unemployment Compensation Fund	328,266	379,714	458,112	1,152,763
Nonmajor Enterprise Funds ⁽¹⁾⁽²⁾	194,402	11,587	158,809	229,630
Total Business-type Activities	<u>11,882,446</u>	<u>11,120,914</u>	<u>10,966,443</u>	<u>11,400,265</u>
Total Primary Government Expenses	<u>\$ 48,979,655</u>	<u>\$ 46,663,030</u>	<u>\$ 46,159,376</u>	<u>\$ 45,190,856</u>
Program Revenues				
Governmental Activities ⁽¹⁾⁽²⁾⁽³⁾				
Sales and Charges for Services				
General Government	\$ 698,096	\$ 799,281	\$ 621,448	\$ 2,770,681
Health and Welfare	292,832	91,838	134,140	562,606
Public Safety	186,972	167,297	157,056	154,324
Other Sales and Charges for Services	236,843	275,045	260,346	236,035
Operating Grants and Contributions	15,611,324	15,372,385	15,758,799	14,780,822
Capital Grants and Contributions	1,608,086	1,377,654	1,182,723	1,239,876
Total Governmental Activities	<u>18,634,153</u>	<u>18,083,500</u>	<u>18,114,512</u>	<u>19,744,344</u>
Business-type Activities ⁽¹⁾				
Sales and Charges for Services				
Higher Education Fund ⁽²⁾	3,552,863	3,509,384	3,241,333	2,993,298
State Health Benefit Plan ⁽⁴⁾	2,188,034	2,121,100	2,363,917	—
Unemployment Compensation Fund ⁽⁴⁾	709,830	785,392	849,070	—
Nonmajor Enterprise Funds ⁽¹⁾⁽²⁾	30,181	11,640	95,020	146,407
Operating Grants and Contributions	2,788,516	2,636,285	2,611,058	6,695,670
Capital Grants and Contributions	79,085	60,543	102,216	36,664
Total Business-type Activities	<u>9,348,509</u>	<u>9,124,344</u>	<u>9,262,614</u>	<u>9,872,039</u>
Total Primary Government Program Revenues	<u>\$ 27,982,662</u>	<u>\$ 27,207,844</u>	<u>\$ 27,377,126</u>	<u>\$ 29,616,383</u>
Net (Expense) Revenue				
Governmental Activities ⁽¹⁾	\$ (18,463,056)	\$ (17,458,616)	\$ (17,078,421)	\$ (14,046,247)
Business-type Activities ⁽²⁾⁽³⁾⁽⁴⁾	(2,533,937)	(1,996,570)	(1,703,829)	(1,528,226)
Total Primary Government	<u>\$ (20,996,993)</u>	<u>\$ (19,455,186)</u>	<u>\$ (18,782,250)</u>	<u>\$ (15,574,473)</u>



Fiscal Year

	2013	2012	2011	2010	2009	2008
\$	1,606,626	\$ 1,326,657	\$ 1,222,954	\$ 1,467,147	\$ 1,904,893	\$ 1,896,438
	10,770,532	10,100,155	10,002,351	10,731,693	10,085,766	10,812,665
	16,033,221	15,657,704	14,745,268	14,210,928	13,118,680	12,256,789
	1,656,662	1,519,707	1,517,213	1,752,933	1,786,808	3,056,226
	2,012,501	1,912,814	1,974,964	1,834,315	1,972,187	2,130,454
	515,874	783,308	843,912	808,742	735,415	504,897
	240,018	233,043	233,608	287,860	273,401	251,055
	51,038	50,334	59,159	62,059	69,726	69,836
	616,328	638,775	462,602	446,520	466,077	405,255
	<u>33,502,800</u>	<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>
	7,931,918	7,916,281	7,622,542	7,067,724	6,728,721	6,242,687
	2,193,829	2,362,677	2,224,280	2,298,354	2,211,087	2,043,604
	1,858,989	2,240,295	2,954,208	4,011,802	2,435,344	774,030
	191,949	35,735	26,613	26,174	17,835	15,110
	<u>12,176,685</u>	<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>45,679,485</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>
\$	2,205,860	\$ 1,912,183	\$ 1,887,736	\$ 1,763,847	\$ 1,654,486	\$ 1,634,855
	576,110	489,289	473,934	245,953	367,829	321,172
	161,190	162,970	160,161	135,736	232,579	278,675
	235,067	264,309	248,385	263,202	225,419	245,978
	15,317,258	14,764,360	14,029,675	15,656,694	12,714,639	11,886,083
	1,310,696	1,142,924	1,473,052	1,599,721	1,286,969	1,426,839
	<u>19,806,181</u>	<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>
	2,992,037	2,922,710	2,647,604	2,408,042	2,103,284	1,834,826
	—	—	—	—	—	—
	—	—	—	—	—	—
	114,152	38,716	35,476	34,142	27,669	20,648
	7,251,162	7,245,740	7,557,366	7,837,041	5,376,243	4,509,566
	90,665	36,157	106,217	41,634	45,385	111,055
	<u>10,448,016</u>	<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>30,254,197</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>
\$	(13,696,619)	\$ (13,486,462)	\$ (12,789,088)	\$ (11,937,044)	\$ (13,931,032)	\$ (15,590,013)
	(1,728,669)	(2,311,665)	(2,480,980)	(3,083,195)	(3,840,406)	(2,599,336)
\$	<u>(15,425,288)</u>	<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>

(continued)

State of Georgia

Schedule 2

Changes in Net Position

For the Last Ten Fiscal Years

(accrual basis of accounting)

(dollars in thousands)

	2017	2016	2015	2014
General Revenues and Other Changes in Net Position				
Governmental Activities ⁽¹⁾⁽²⁾				
General Revenues				
Taxes				
Individual Income	\$ 11,318,052	\$ 9,799,035	\$ 9,769,658	\$ 8,976,720
Sales - General	5,798,400	5,730,560	5,235,481	4,988,620
Motor Fuel Tax	1,741,413	1,668,568	1,210,079	1,196,154
Motor Vehicle License and Title Ad Valorem Taxes ⁽⁴⁾	1,347,626	1,307,054	1,167,421	—
Corporate Tax	955,791	981,475	1,014,290	949,815
Other Taxes	607,929	1,515,674	774,605	801,605
Lottery for Education - Lottery Proceeds ⁽⁴⁾	1,101,062	1,097,823	980,653	—
Nursing Home and Hospital Provider Fees ⁽⁴⁾	442,576	434,126	454,372	—
Tobacco Settlement Funds ⁽⁴⁾	140,938	137,035	138,385	—
Unrestricted Investment Income	50,631	33,936	9,103	4,995
Unclaimed Property	143,683	153,257	156,360	148,129
Other	196,046	12,916	9,646	12,112
Special Items	—	—	—	—
Transfers	(2,803,960)	(2,639,131)	(2,657,978)	(2,308,895)
Total Governmental Activities	<u>21,040,187</u>	<u>20,232,328</u>	<u>18,262,075</u>	<u>14,769,255</u>
Business-type Activities ⁽¹⁾⁽²⁾				
General Revenues				
Unrestricted Investment Income	—	—	—	—
Contributions to Permanent Endowments	833	137	—	7,522
Transfers	2,803,960	2,639,131	2,657,978	2,308,895
Total Business-type Activities	<u>2,804,793</u>	<u>2,639,268</u>	<u>2,657,978</u>	<u>2,316,417</u>
Total Primary Government General Revenues and Other Changes in Net Position	<u>\$ 23,844,980</u>	<u>\$ 22,871,596</u>	<u>\$ 20,920,053</u>	<u>\$ 17,085,672</u>
Changes in Net Position				
Governmental Activities ⁽¹⁾⁽²⁾	\$ 2,577,131	\$ 2,773,712	\$ 1,183,654	\$ 723,008
Business-type Activities ⁽¹⁾⁽²⁾⁽³⁾	270,856	642,698	954,149	788,191
Total Primary Government	<u>\$ 2,847,987</u>	<u>\$ 3,416,410</u>	<u>\$ 2,137,803</u>	<u>\$ 1,511,199</u>

(1) In fiscal year 2015, the activities of SRTA were re-examined and all activities of this blended component unit are reported as Governmental Activities. In fiscal year 2017, SRTA was re-examined again and it was determined that the toll facilities and customer service center (previously part of governmental activities) are now reported as part of business-type activities.

(2) 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 University 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 University 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). Then in fiscal year 2017 these three foundations no longer met the requirements for being reported in the Higher Education Fund and are reported as discrete component units.

(3) 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.

(4) 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						
2013	2012	2011	2010	2009	2008	
\$ 8,854,916	\$ 8,196,187	\$ 7,797,739	\$ 7,109,984	\$ 7,794,606	\$ 8,834,591	
5,082,342	5,141,871	5,133,404	5,196,117	5,080,946	5,760,691	
1,149,110	1,201,532	931,443	853,740	883,753	994,790	
—	—	—	—	—	—	
806,881	658,303	582,039	728,740	694,767	941,967	
752,103	776,813	816,856	752,448	792,328	757,953	
—	—	—	—	—	—	
—	—	—	—	—	—	
—	—	—	—	—	—	
323	6,183	(3,066)	993	63,074	264,448	
138,832	83,215	98,098	85,277	35,356	58,857	
126,862	12,909	30,285	44,183	112,681	247,322	
—	—	288,000	(10,090)	—	—	
(2,377,595)	(2,346,986)	(2,532,118)	(2,269,701)	(2,679,135)	(2,670,418)	
<u>14,533,774</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>	
—	—	—	—	76,060	134,436	
1,231	—	—	—	—	—	
2,377,595	2,346,986	2,532,118	2,269,701	2,679,135	2,670,418	
<u>\$ 2,378,826</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>\$ 16,912,600</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>	
\$ 837,155	\$ 243,565	\$ 353,592	\$ 554,647	\$ (1,152,656)	\$ (399,812)	
650,157	35,321	51,138	(813,494)	(1,085,211)	205,518	
<u>\$ 1,487,312</u>	<u>\$ 278,886</u>	<u>\$ 404,730</u>	<u>\$ (258,847)</u>	<u>\$ (2,237,867)</u>	<u>\$ (194,294)</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)

	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 82,570	\$ 66,744	\$ 50,979	\$ 54,972	\$ 56,937
Restricted	4,652,244	4,112,561	3,284,676	3,371,495	3,177,010
Unrestricted					
Committed	10,921	9,287	7,713	3,232	4,954
Assigned	418,815	345,667	444,077	325,552	365,985
Unassigned	2,211,442	1,795,230	1,282,974	1,073,662	798,630
Reserved	—	—	—	—	—
Unreserved	—	—	—	—	—
Total General Fund	\$ 7,375,992	\$ 6,329,489	\$ 5,070,419	\$ 4,828,913	\$ 4,403,516
All Other Governmental Funds ⁽¹⁾⁽²⁾					
Nonspendable	\$ 15,289	\$ 136	\$ 257	\$ 14	\$ 14
Restricted	1,310,861	1,242,119	1,074,877	1,216,195	1,065,153
Unrestricted					
Assigned	74,100	69,288	60,062	74,489	55,061
Reserved	—	—	—	—	—
Unreserved, Reported in					
Special Revenue Funds	—	—	—	—	—
Capital Projects Funds	—	—	—	—	—
Total All Other Governmental Funds	\$ 1,400,250	\$ 1,311,543	\$ 1,135,196	\$ 1,290,698	\$ 1,120,228

(1) In fiscal year 2008, The Georgia Higher Education Facilities Authority, a blended component unit, was reported in the State's Capital Projects Funds. Beginning in fiscal year 2009, the balances of this organization are included in the State's Nonmajor Enterprise Funds.

Beginning in fiscal year 2015, all activates of SRTA, a blended component unit, are reported as Special Revenue Funds (previously only the balances of its General Fund are included in the State's Special Revenue Funds). In fiscal year 2017, the activities of SRTA were re-examined, and only SRTA's General Fund is included in the State's Special Revenue 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

	2012	2011	2010	2009	2008
\$	74,206	\$ 94,810	\$ —	\$ —	\$ —
	3,004,697	2,951,729	—	—	—
	7,695	9,403	—	—	—
	298,557	256,676	—	—	—
	334,655	401,414	—	—	—
	—	—	3,737,311	3,520,953	2,837,792
	—	—	(41,837)	(492,520)	1,489,500
	<u>3,719,810</u>	<u>3,714,032</u>	<u>3,695,474</u>	<u>3,028,433</u>	<u>4,327,292</u>
\$	8,398	\$ 68	\$ —	\$ —	\$ —
	963,782	1,079,604	—	—	—
	18,227	20,442	—	—	—
	—	—	43,114	14	14
	—	—	33,319	436,838	286,451
	—	—	1,323,352	1,496,019	1,195,760
	<u>990,407</u>	<u>1,100,114</u>	<u>1,399,785</u>	<u>1,932,871</u>	<u>1,482,225</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)

	2017	2016	2015	2014	2013
Revenues ⁽¹⁾					
Taxes					
Individual Income	\$ 11,023,806	\$ 10,078,312	\$ 9,714,090	\$ 8,976,720	\$ 8,854,916
Sales - General	5,781,149	5,473,282	5,263,011	4,988,620	5,082,342
Motor Fuel Tax	1,741,414	1,668,568	1,210,079	1,196,154	1,149,110
Motor Vehicle License and Title ad valorem Taxes ⁽³⁾	1,347,626	1,307,054	1,167,421	—	—
Corporate Tax	955,790	981,475	1,014,290	949,815	806,881
Other Taxes	977,494	1,186,307.71	871,158.17	801,605.2	752,103.24
Licenses and Permits	392,102	499,313	328,028	1,387,113	753,517
Intergovernmental - Federal	16,543,931	15,946,548	16,056,116	15,359,809	15,935,839
Intergovernmental - Other	519,077	547,897	646,442	590,000	626,723
Sales and Services	608,204	403,849	439,342	449,697	483,606
Fines and Forfeits	475,421	464,064	444,301	446,646	607,862
Interest and Other Investment Income	68,780	50,219	26,243	23,365	7,244
Unclaimed Property	143,683	153,257	156,360	148,129	138,832
Lottery Proceeds	1,101,062	1,097,823	980,653	945,097	927,479
Nursing Home Provider Fees	156,746	163,524	175,414	169,521	176,864
Hospital Provider Payments	285,830	270,602	278,958	237,978	232,080
Other	288,396	130,774	129,092	68,375	75,148
Total Revenues	42,410,511	40,422,869	38,900,998	36,738,644	36,610,546
Expenditures ⁽¹⁾					
Current					
General Government	915,149	1,021,257	1,059,255	1,119,722	1,045,120
Education	12,605,566	12,010,308	11,435,031	10,787,182	10,768,786
Health and Welfare	17,225,344	16,872,312	16,713,851	16,106,379	16,031,121
Transportation	2,901,428	2,181,785	2,095,554	1,847,149	1,879,877
Public Safety	2,540,030	2,193,494	2,122,905	1,969,468	2,033,814
Economic Development and Assistance	692,393	600,031	610,472	512,286	494,016
Culture and Recreation	301,768	304,703	263,263	257,416	263,636
Conservation	58,888	56,514	53,394	47,471	51,314
Capital Outlay	889,793	765,976	1,010,110	699,126	600,128
Debt Service					
Principal	1,042,625	988,145	966,445	850,290	774,855
Interest	419,177	449,666	460,214	466,787	461,432
Other Charges	26,541	25,848	27,284	75,372	155,290
Intergovernmental	175,136	200,373	223,531	209,097	138,161
Total Expenditures	39,793,838	37,670,412	37,041,309	34,947,745	34,697,550
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,616,673	2,752,457	1,859,689	1,790,899	1,912,996



Fiscal Year

	2012	2011	2010	2009	2008
\$	8,196,187	\$ 7,797,739	\$ 7,109,984	\$ 7,794,606	\$ 8,834,591
	5,141,871	5,133,404	5,196,117	5,080,946	5,760,691
	1,201,532	931,443	853,740	883,753	994,790
	—	—	—	—	—
	658,303	582,039	728,740	694,767	941,967
	776,813.03	816,855.93	752,447.89	792,328.34	757,952.95
	593,541	581,994	507,764	667,363	682,940
	15,294,531	14,709,708	16,456,059	13,417,524	11,623,735
	505,974	652,244	569,179	360,531	405,077
	440,951	471,236	490,954	392,097	376,674
	450,457	458,341	300,032	335,485	321,804
	18,580	12,930	41,535	138,077	240,337
	83,215	98,098	85,277	35,356	58,857
	901,329	846,106	883,882	872,136	867,686
	132,393	128,771	122,047	122,623	133,974
	225,260	215,080	—	—	—
	72,657	94,327	96,393	157,741	152,296
	<u>34,693,594</u>	<u>33,530,316</u>	<u>34,194,151</u>	<u>31,745,333</u>	<u>32,153,372</u>
	920,513	873,658	860,558	1,250,409	1,251,265
	10,099,224	9,981,903	10,719,216	10,083,963	10,481,854
	15,668,820	14,721,528	14,211,763	13,097,393	12,475,474
	1,664,812	1,699,712	2,127,591	2,725,244	3,256,231
	1,921,717	1,874,257	1,895,659	1,976,831	2,035,807
	782,055	836,341	787,261	718,858	816,766
	258,472	275,974	275,746	306,434	315,578
	54,694	51,573	62,430	65,007	69,883
	674,905	882,731	500,166	560,229	471,251
	803,600	845,300	804,560	801,565	750,909
	475,208	493,845	485,195	469,281	434,494
	98,368	57,923	42,203	36,059	(2,342)
	239,879	153,190	220,118	377,607	341,524
	<u>33,662,267</u>	<u>32,747,935</u>	<u>32,992,466</u>	<u>32,468,880</u>	<u>32,698,694</u>
	<u>1,031,327</u>	<u>782,381</u>	<u>1,201,685</u>	<u>(723,547)</u>	<u>(545,322)</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)

	2017	2016	2015	2014	2013
Other Financing Sources (Uses) ⁽¹⁾					
General Obligation Bonds Issuance	920,035	1,008,355	823,555	857,670	834,870
Refunding Bonds Issuance	1,340,265	275,985	159,350	—	486,825
Revenue Bond Issuance	—	—	11,057	32,718	—
Debt Issuance - Other	52,720	20,926	—	—	—
Premium on General Obligation Bonds Sold	111,054	94,194	78,602	62,075	124,742
Premium on Refunding Bonds Sold	283,301	—	13,819	—	102,681
Premium on Revenue Bonds Sold	—	—	—	—	—
Accrued Interest on Refunding Bonds Sold	—	—	—	—	—
Accrued Interest on Revenue Bonds Sold	—	—	—	—	—
Payment to Refunded Bond Escrow Agent	(1,620,595)	(302,322)	(173,032)	—	(587,396)
Proceeds from Disposition of General Capital Assets	—	—	—	—	—
Capital Leases	35,155	27,617	12,825	8,207	5,847
Transfers In	1,594,219	1,718,186	1,609,361	1,550,566	1,424,420
Transfers Out	(4,165,721)	(4,081,733)	(3,882,868)	(3,706,268)	(3,481,263)
Net Other Financing Sources (Uses)	(1,449,567)	(1,238,792)	(1,347,331)	(1,195,032)	(1,089,274)
Special Item	—	—	—	—	—
Other Adjustments to Fund Balance	—	—	—	—	—
Net Change in Fund Balance	\$ 1,167,106	\$ 1,513,665	\$ 512,358	\$ 595,867	\$ 823,722
Debt Service Expenditures as a Percentage of Noncapital Expenditures ⁽²⁾	4.31%	4.33%	3.46%	3.78%	3.08%

(1) In fiscal year 2008, The Georgia Higher Education Facilities Authority, a blended component unit, was reported in the State's Capital Projects Funds. Beginning in fiscal year 2009, the balances of this organization are included in the State's Nonmajor Enterprise Funds.

Beginning in fiscal year 2015, all activities of SRTA, a blended component unit, are reported as Special Revenue Funds (previously only the balances of its General Fund are included in the State's Special Revenue Funds). In fiscal year 2017, the activities of SRTA were re-examined, and only SRTA's General Fund is included in the State's Special Revenue 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

2012	2011	2010	2009	2008
803,615	653,925	793,855	1,445,645	946,035
719,465	344,420	640,825	149,730	—
—	—	—	600,000	600,000
—	—	—	—	—
78,781	32,170	25,206	84,867	16,828
86,523	55,821	112,131	21,730	—
—	—	—	57,683	39,911
—	—	—	—	—
—	—	—	538	—
(805,945)	(398,339)	(750,209)	(171,307)	—
—	—	—	—	1,661
11,179	25,851	6,201	2,259	825
1,414,093	1,467,443	1,959,530	2,151,031	2,121,862
(3,409,603)	(3,532,786)	(3,923,140)	(4,466,328)	(4,599,625)
(1,101,892)	(1,351,495)	(1,135,601)	(124,152)	(872,503)
—	288,000	—	—	—
—	—	—	—	(1,332)
<u>\$ (70,565)</u>	<u>\$ (281,114)</u>	<u>\$ 66,084</u>	<u>\$ (847,699)</u>	<u>\$ (1,419,157)</u>
3.99%	4.44%	4.62%	6.20%	8.88%

State of Georgia

Schedule 5

Revenue Base - Personal Income by Industry

For the Last Ten Calendar Years

(dollars in millions)

	2016	2015	2014	2013
Accommodation and Food Services	\$ 10,209	\$ 9,838	\$ 9,551	\$ 8,969
Administrative and Waste Management Services	15,610	15,166	14,828	13,744
Arts, Entertainment and Recreation	2,171	2,231	2,379	2,277
Construction	17,604	15,391	14,766	13,365
Educational Services	4,849	4,705	4,638	4,391
Farm Earnings	1,814	2,476	3,230	3,640
Federal Government - Civilian	10,806	10,421	9,824	9,796
Federal Government - Military	6,446	6,825	6,833	7,048
Finance and Insurance	19,269	18,663	18,200	17,386
Forestry, Fishing and Related Activities	1,045	1,010	1,010	872
Health Care and Social Assistance	31,688	29,914	28,658	27,487
Information	18,669	15,118	12,225	11,414
Management of Companies and Enterprises	8,443	8,179	7,776	7,009
Manufacturing	29,125	27,921	26,822	25,876
Mining	787	560	592	558
Other Services, Except Public Administration	10,528	10,309	10,460	10,055
Professional, Scientific and Technical Services	31,180	30,183	28,908	26,708
Real Estate, Rental and Leasing	6,262	5,784	6,454	6,135
Retail Trade	19,375	19,046	18,127	17,303
State and Local Government	35,643	33,051	32,454	32,139
Transportation and Warehousing	16,172	14,838	13,881	13,143
Utilities	2,902	2,657	2,435	2,401
Wholesale Trade	21,150	20,493	19,539	18,709
Other	112,931	106,943	101,183	97,731
Total Personal Income	\$ 434,678	411,722	\$ 394,773	\$ 378,156
Average Effective Rate ⁽¹⁾	2.3%	2.4%	2.3%	2.3%

(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

	2012	2011	2010	2009	2008	2007
\$	8,595	\$ 8,040	\$ 7,625	\$ 7,504	\$ 7,748	\$ 7,725
	12,873	12,418	11,618	11,128	11,764	11,783
	2,162	2,066	1,995	1,970	1,989	1,969
	12,471	12,113	12,274	13,103	15,638	17,401
	4,318	4,134	3,980	3,857	3,589	3,394
	3,429	1,982	1,749	1,972	2,606	1,838
	10,076	10,303	10,043	9,332	8,746	8,445
	7,229	7,500	7,529	7,251	6,926	6,195
	16,492	15,364	15,007	16,574	18,082	16,776
	847	761	778	700	700	732
	26,127	25,083	24,282	23,570	22,445	21,186
	10,922	10,239	9,974	10,627	11,481	11,858
	6,626	5,974	5,471	5,504	5,374	5,750
	24,977	24,267	22,969	22,986	25,374	26,185
	524	505	412	375	469	527
	9,619	9,095	8,807	8,687	8,701	9,075
	25,972	24,313	22,853	23,092	24,526	22,697
	5,740	4,780	3,852	3,683	4,509	4,708
	16,415	15,985	15,472	15,391	16,039	16,659
	32,100	31,825	31,814	30,909	30,728	29,383
	12,498	11,945	11,092	10,708	11,318	11,608
	2,294	2,422	2,161	2,355	2,300	2,185
	17,917	17,238	16,700	16,701	17,867	17,825
	98,926	98,954	85,102	82,481	80,981	76,455
<u>\$</u>	<u>369,149</u>	<u>\$ 357,306</u>	<u>\$ 333,559</u>	<u>\$ 330,460</u>	<u>\$ 339,900</u>	<u>\$ 332,359</u>

2.2% 2.2% 2.1% 2.4% 2.6% 2.7%



Schedule 6

Individual Income Tax Rates by Filing Status and Income Level For the Last Ten Calendar Years

Filing Status

<u>Georgia Taxable Net Income Level</u>	<u>2008 - 2017</u>
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 2015(1) and 2006**

(dollars, except income level, are in thousands)

	2015(1)			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Income Level				
\$1,000 and under (2)	827,087	18.7%	\$ 694,714	7.2%
\$1,001 to \$5,000	220,004	5.0%	1	0.0%
\$5,001 to \$10,000	321,161	7.3%	10,372	0.1%
\$10,001 to \$15,000	358,954	8.1%	48,092	0.5%
\$15,001 to \$20,000	315,012	7.1%	96,707	1.0%
\$20,001 to \$25,000	269,800	6.1%	144,406	1.5%
\$25,001 to \$30,000	238,117	5.4%	181,930	1.9%
\$30,001 to \$50,000	647,711	14.6%	844,164	8.7%
\$50,001 to \$100,000	703,125	15.9%	1,965,913	20.3%
\$100,001 to \$500,000	494,609	11.2%	3,857,141	39.9%
\$500,001 to \$1,000,000	19,252	0.4%	652,853	6.8%
\$1,000,001 and higher	8,832	0.2%	1,165,474	12.1%
Totals	4,423,664	100.0%	\$ 9,661,767	100.0%

	2006			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Income Level				
\$1,000 and under (2)	597,417	14.8%	\$ 526,273	6.6%
\$1,001 to \$5,000	259,040	6.4%	3	0.0%
\$5,001 to \$10,000	343,066	8.5%	8,561	0.1%
\$10,001 to \$15,000	331,809	8.1%	40,089	0.5%
\$15,001 to \$20,000	299,883	7.4%	89,641	1.1%
\$20,001 to \$25,000	271,907	6.7%	138,157	1.7%
\$25,001 to \$30,000	237,570	5.9%	171,199	2.1%
\$30,001 to \$50,000	633,652	15.7%	775,172	9.7%
\$50,001 to \$100,000	682,895	16.9%	1,792,671	22.3%
\$100,001 to \$500,000	364,971	9.0%	2,679,227	33.4%
\$500,001 to \$1,000,000	15,671	0.4%	545,161	6.8%
\$1,000,001 and higher	8,394	0.2%	1,260,456	15.7%
Totals	4,046,275	100.0%	\$ 8,026,610	100.0%

(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 ⁽¹⁾			
	General Obligation Bonds	Revenue(2) Bonds	Capital Leases	Notes and Loans
2017	\$ 9,851,713	\$ 745,477	\$ 237,505	\$ 78,450
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

(1) In fiscal year 2015, the activities of State Road and Tollway Authority (SRTA), a blended component unit, were reported as Governmental Activities. In fiscal year 2017, a re-examination determined that activities of this blended component unit should be reported reported in both Governmental Activities and Business-type Activities as was the presentation in fiscal years 2014 and prior.

(2) The Governmental Activities Revenue Bonds include \$244.6 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 2017, the State collected \$1.7 billion of motor fuel tax funds. The principal and interest on the revenue bonds for fiscal year 2017 was \$77.3 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.

Source: Financial Information included in Current and Prior Years' *Comprehensive Annual Financial Reports*



Business -Type Activities ⁽¹⁾			Less:			
Revenue Bonds	Capital Leases	Notes and Loans	Net Position Restricted to Guaranteed Revenue Debt	Total Primary Government	Percentage of Personal Income⁽³⁾	Outstanding Debt Per Capita⁽³⁾
\$ 269,136	\$ 3,044,125	\$ 256,768	\$ (53,776)	\$ 14,429,398	3.3%	\$ 1,400
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



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 ⁽¹⁾	Percentage of Personal Income ⁽²⁾	Outstanding Debt Per Capita ⁽²⁾
2017	\$ 10,061,376	2.31%	\$ 975.85
2016	9,750,165	2.37%	954.51
2015	9,668,940	2.45%	957.59
2014	9,768,380	2.58%	977.66
2013	9,427,553	2.55%	950.58
2012	9,278,490	2.60%	945.60
2011	9,197,267	2.76%	946.86
2010	9,280,726	2.81%	944.20
2009	9,200,175	2.71%	948.68
2008	8,431,520	2.54%	884.39

(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. In fiscal year 2017, SRTA's activities reverted back to the blended presentation, where its activity and balances are included in both Governmental Activities and Business-type 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)

	2017	2016	2015	2014	2013
Revenue Base:					
Treasury Receipts for the Preceding Fiscal Year (1)	\$ 23,476,964,889	\$ 21,557,498,541	\$ 20,256,765,494	\$ 19,539,691,058	\$ 18,316,797,048
Debt Limit Amount:					
Highest Aggregate Annual Commitments (Principal and Interest) Permitted Under Constitutional Limitation (10% of above)	\$ 2,347,696,489	\$ 2,155,749,854	\$ 2,025,676,549	\$ 1,953,969,106	\$ 1,831,679,705
Debt Applicable to the Limit:					
Highest Total Annual Commitments in Current or any Subsequent Fiscal Year (2)	1,405,379,184	1,311,486,764	1,305,012,971	1,320,929,740	1,289,411,544
Legal Debt Margin	\$ 942,317,305	\$ 844,263,090	\$ 720,663,578	\$ 633,039,366	\$ 542,268,161
Total Debt Applicable to the Limit as Percentage of Debt Limit Amount	59.9%	60.8%	64.4%	67.6%	70.4%

(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.



Fiscal Year

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>\$ 17,546,376,094</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>
\$ 1,754,637,609	\$ 1,625,124,442	\$ 1,784,169,661	\$ 1,978,980,332	\$ 1,985,997,897
<u>1,310,228,303</u>	<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>\$ 444,409,306</u>	<u>\$ 296,445,243</u>	<u>\$ 414,584,560</u>	<u>\$ 671,896,489</u>	<u>\$ 740,484,121</u>
74.7%	81.8%	76.8%	66.0%	62.7%



Schedule 11

Population/Demographics

For the Last Ten Calendar Years

Year	Population	Personal Income (in millions)	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2016	10,310,371	\$ 434,678	\$ 42,159	1,757,543	5.4%
2015	10,214,860	411,722	40,306	1,749,852	5.9%
2014	10,097,132	394,773	39,097	1,736,416	7.1%
2013	9,991,562	378,156	37,845	1,716,905	8.2%
2012	9,917,639	369,149	37,229	1,693,374	9.2%
2011	9,812,280	357,306	36,422	1,673,740	10.2%
2010	9,713,454	333,559	34,341	1,665,557	10.5%
2009	9,829,211	330,460	34,348	1,656,689	9.9%
2008	9,697,838	339,900	35,761	1,642,033	6.2%
2007	9,533,761	332,359	35,546	1,634,255	4.5%

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 2017 and Nine Years Previous (2008)

2017 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.

2008 Employers

AT&T
BellSouth Corporation
Columbia Healthcare Corporation
Delta Air Lines, Inc.
Emory System of Health Care
Lockheed Martin Corporation
Lowe's
Mohawk Industries
Promina Health System
Publix Supermarkets, Inc.
Shaw Industries Group, Inc.
The Coca-Cola Company
The Home Depot, Inc.
The Kroger Company
The Southern Company/Georgia Power Company
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: 2017 - Georgia Department of Labor (1st quarter 2017)
2008 - *Comprehensive Annual Financial Report* - Fiscal Year Ended June 30, 2008

State of Georgia

Schedule 13

State Government Employment by Function For the Last Ten Fiscal Years ⁽¹⁾

	2017	2016	2015	2014	2013
Governmental Activities					
General Government	8,432	8,722	8,402	7,848	8,194
Education	2,152	2,184	1,836	1,419	1,422
Health and Welfare	21,845	21,073	22,102	18,868	20,463
Transportation	4,979	5,023	5,102	4,379	4,385
Public Safety	27,780	25,728	25,513	23,430	21,418
Economic Development and Assistance	2,421	2,487	2,760	2,757	2,459
Culture and Recreation	3,080	2,982	2,838	2,284	2,403
Conservation	852	820	837	638	647
	<u>71,541</u>	<u>69,019</u>	<u>69,390</u>	<u>61,623</u>	<u>61,391</u>
Business-Type Activities ⁽²⁾⁽⁵⁾					
State Road and Tollway Authority ⁽³⁾	—	—	—	70	79
Higher Education Fund ⁽⁴⁾	79,456	80,004	76,972	76,594	74,503
	<u>79,456</u>	<u>80,004</u>	<u>76,972</u>	<u>76,664</u>	<u>74,582</u>
Total Employment	<u>150,997</u>	<u>149,023</u>	<u>146,362</u>	<u>138,287</u>	<u>135,973</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) In fiscal year 2015, the activities of State Road and Tollway Authority (SRTA) were examined and all activity was reported as Governmental Activities. In fiscal year 2017 SRTA, was re-examined and it was determined that the toll facilities and customer service center (previously part of Governmental Activities) are now reported as part of Business-Type 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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
7,729	9,658	9,103	8,425	9,151
1,371	1,213	1,399	1,156	1,186
18,007	18,616	27,653	22,629	23,430
4,577	5,273	5,363	5,340	5,745
20,449	21,997	25,014	21,829	23,850
4,802	5,144	5,375	4,636	4,650
3,169	2,548	3,184	2,785	3,160
664	686	845	746	776
<u>60,768</u>	<u>65,135</u>	<u>77,936</u>	<u>67,546</u>	<u>71,948</u>
71	52	64	53	43
<u>82,109</u>	<u>79,174</u>	<u>96,739</u>	<u>85,193</u>	<u>86,579</u>
<u>82,180</u>	<u>79,226</u>	<u>96,803</u>	<u>85,246</u>	<u>86,622</u>
<u><u>142,948</u></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>

State of Georgia

Schedule 14

Operating Indicators and Capital Assets by Function For the Last Ten Years ⁽¹⁾

	2017	2016	2015	2014
General Government				
Department of Revenue				
Number of Personal Income Tax Filers	NCA	NCA	4,423,664	4,471,307
Education				
Department of Education				
Public School Enrollment (March FTE Count)				
Pre Kindergarten through Grade 5	856,077	856,413	854,352	846,364
Grades 6 through 8	394,565	392,095	392,433	392,381
Grades 9 through 12	506,901	500,808	489,631	478,160
Board of Regents of the University System of Georgia				
Number of Separate Institutions	29	29	30	31
Number of Active Educators	15,012	14,606	14,478	14,309
Number of Students	321,551	318,164	312,936	309,469
Health and Welfare				
Department of Human Services				
Food Stamp Recipients	1,654,152	1,745,876	1,825,606	1,823,017
Temporary Assistance for Needy Families Recipients	21,876	26,635	27,219	31,598
Transportation				
Department of Transportation				
Miles of State Highway	17,912	17,902	17,907	17,912
Public Safety				
Department of Corrections				
Number of Inmates	54,636	53,852	51,002	51,216
Number of Probationers	165,635	168,088	165,926	165,560
Economic Development and Assistance				
Department of Economic Development				
Economic Impact of Tourism (in millions):				
Domestic Traveler Spending - Direct	NCA	\$ 25,558	\$ 24,526	\$ 23,707
Domestic Travel-generated State Tax Revenues	NCA	\$ 1,307	\$ 1,170	\$ 1,059
Culture and Recreation:				
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	85,430	85,647	92,880
Number of Daily Park Passes Sold	905,504	802,267	790,020	659,391
Number of Annual Park Passes Sold	11,954	9,444	7,852	6,187
Number of Hunting and Fishing Licenses Sold	1,335,703	1,346,360	1,346,360	1,025,782
Number of Registered Boats	134,095	143,587	144,979	147,854
Conservation				
Forestry Commission				
Economic Impact of Forestry Industry				
Output (in millions)	NCA	NCA	\$ 19,200	\$ 16,800
Employment	NCA	NCA	50,385	48,740
Compensation (in millions)	NCA	NCA	\$ 3,550	\$ 3,030

(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

2013	2012	2011	2010	2009	2008
4,319,711	4,226,144	4,265,347	4,266,318	4,166,498	4,229,929
836,627	829,900	828,005	825,044	818,709	812,311
388,542	383,553	376,315	371,759	367,453	368,734
468,205	460,287	461,237	459,886	455,871	453,210
31	35	35	35	35	35
13,903	13,855	13,311	12,828	11,654	11,422
314,365	318,027	311,442	301,892	282,978	270,022
1,957,886	1,875,000	1,737,545	1,389,935	1,202,181	986,245
35,185	35,887	36,534	90,581	38,824	40,609
17,967	17,985	17,985	18,093	18,095	18,096
53,168	54,336	55,162	52,291	54,049	54,016
164,051	163,265	156,630	154,989	154,218	148,629
\$ 22,354	\$ 21,489	\$ 20,537	\$ 18,906	\$ 17,570	\$ 19,026
\$ 989	\$ 949	\$ 919	\$ 855	\$ 816	\$ 851
49	48	48	48	48	48
15	18	18	15	15	15
92,880	86,000+	86,000+	84,000+	85,000+	82,000+
650,651	659,860	679,838	840,000	440,845	NCA
5,595	8,042	10,792	9,470	19,669	NCA
955,340	1,004,771	997,651	1,038,015	1,299,525	1,195,801
125,280	124,610	132,832	134,815	128,003	116,858
\$ 16,900	\$ 16,313	\$ 15,100	\$ 14,500	\$ 16,900	\$ 18,300
50,110	49,516	46,378	43,425	48,519	57,812
\$ 3,100	\$ 3,078	\$ 2,900	\$ 2,600	\$ 2,800	\$ 3,100