NEW ISSUE
(BOOK-ENTRY ONLY)

RATINGS:
Moody's: Aaa
Standard & Poor's: AAA
Fitch: AAA
See "RATINGS" herein.

In the opinion of Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the 2015A Bonds and the 2015C Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax on individuals and corporations. Interest on the Tax-Exempt Bonds will be taken into account in computing an adjustment made in determining a corporate Bondholder's alternative minimum tax based on such Tax-Exempt Bondholder's adjusted current earnings, and holders of Tax-Exempt Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. INTEREST EARNED ON THE 2015B BONDS (THE "TAXABLE BONDS" COLLECTIVELY WITH THE TAX-EXEMPT BONDS, THE "BONDS") IS NOT EXCLUDABLE FROM GROSS INCOME OF THE HOLDERS OF THE TAXABLE BONDS FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Bond Counsel, interest on the Bonds is exempt from present State of Georgia income taxation. See APPENDIX E and APPENDIX F herein for the forms of the opinions Bond Counsel proposes to deliver in connection with the issuance of the Bonds. For a more complete discussion of such opinions and certain other tax consequences of owning the Bonds, including certain exceptions to the exclusion of the interest on the Bonds from gross income, see "LEGAL AND TAX STATUS - Tax Consequences of Owning the Bonds" herein.

$1,284,340,000
State of Georgia

$560,525,000 General Obligation Bonds 2015A
$447,830,000 General Obligation Bonds 2015B (Federally Taxable)
$275,985,000 General Obligation Refunding Bonds 2015C

Dated: Date of Delivery **Due: As shown on inside cover**

This Official Statement has been prepared by the Georgia State Financing and Investment Commission (the "Commission") for and on behalf of the State of Georgia (the "State") to provide information on the above-captioned bonds (the "2015A Bonds," the "2015B Bonds," and the "2015C Bonds") (collectively, the "Bonds"). The summary information on this cover is for convenience only. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Security	The Bonds constitute general obligations of the State to which its full faith, credit and taxing powers are pledged.
Redemption	Certain of the Bonds are not subject to optional redemption prior to their maturity and certain of the Bonds are subject to redemption prior to their maturities, as further described herein.
Purpose	The Bonds are being issued to provide funds for various capital outlay projects of the State and to provide funds to refund certain outstanding general obligation bonds of the State, as further described herein.
Interest Payment Dates	Semiannual, as described herein.
Denomination	$5,000 and integral multiples thereof.
Registration	Full book-entry only and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York.
Closing/Delivery Date	On or about July 9, 2015.

The Bonds are being offered when, as and if issued by the State and accepted by the Underwriters, subject to prior sale or withdrawal or modification of the offer without notice, validation by the Superior Court of Fulton County, Georgia and approval as to legality by Holland & Knight LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Kutak Rock LLP, Atlanta, Georgia. Public Resources Advisory Group is serving as Financial Advisor to the State.

The date of this Official Statement is June 10, 2015.

$560,525,000
State of Georgia
General Obligation Bonds 2015A Maturity Schedule

Maturing February 1,	Principal Amount	Interest Rate	Price or Yield	CUSIP (a)
2016	$28,740,000	5.000%	0.190%	373384Y59
2017	30,555,000	5.000	0.560	373384Y67
2018	32,085,000	5.000	0.960	373384Y75
2019	33,695,000	5.000	1.250	373384Y83
2020	35,375,000	5.000	1.470	373384Y91
2021	20,405,000	5.000	1.720	373384Z25
2022	21,425,000	5.000	1.930	373384Z33
2023	22,495,000	5.000	2.070	373384Z41
2024	23,615,000	5.000	2.210	373384Z58
2025	24,800,000	5.000	2.340	373384Z66
2026	23,350,000	5.000	2.450*	373384Z74
2027	24,515,000	5.000	2.560*	373384Z82
2028	25,740,000	5.000	2.660*	373384Z90
2029	27,030,000	5.000	2.760*	3733842A3
2030	28,380,000	3.000	3.250	3733842B1
2031	29,230,000	4.000	3.260*	3733842C9
2032	30,400,000	4.000	3.310*	3733842D7
2033	31,615,000	4.000	3.350*	3733842E5
2034	32,880,000	4.000	3.390*	3733842F2
2035	34,195,000	3.500	3.580	3733842G0

*Priced to February 1, 2025 optional redemption date.

$447,830,000
State of Georgia
General Obligation Bonds 2015B (Federally Taxable) Maturity Schedule

Maturing February 1,	Principal Amount	Interest Rate	Price or Yield	CUSIP (a)
2016	$30,050,000	0.300%	0.300%	3733842H8
2017	30,345,000	2.250	0.760	3733842J4
2018	30,805,000	1.250	1.250	3733842K1
2019	31,420,000	1.750	1.750	3733842L9
2020	32,050,000	2.050	2.050	3733842M7
2021	20,880,000	2.420	2.420	3733842N5
2022	21,405,000	2.670	2.670	3733842P0
2023	22,045,000	2.780	2.780	3733842Q8
2024	22,710,000	2.980	2.980	3733842R6
2025	23,390,000	3.130	3.130	3733842S4
2026	15,450,000	3.625	3.320*	3733842T2
2027	15,960,000	3.875	3.570*	3733842U9
2028	16,510,000	4.125	3.770*	3733842V7
2029	17,100,000	4.250	3.900*	3733842W5
2030	17,725,000	4.250	4.000*	3733842X3
2035	99,985,000#	4.150	4.150	3733842Y1

* Priced to February 1, 2025 optional redemption date.
\# Term bonds subject to mandatory redemption as described herein. See "DESCRIPTION OF BONDS – *Mandatory Redemption of 2015B Bonds*" herein.

$275,985,000
State of Georgia
General Obligation Refunding Bonds 2015C Maturity Schedule

Maturing July 1,	Principal Amount	Interest Rate	Price or Yield	CUSIP (a)
2016	$50,350,000	5.000%	0.280%	373384X84
2017	84,475,000	5.000	0.650	373384X92
2018	83,895,000	5.000	1.050	373384Y26
2019	51,815,000	5.000	1.300	373384Y34
2020	5,450,000	2.000	1.550	373384Y42

(a) CUSIP numbers have been assigned by an organization not affiliated with the State and are included for the convenience of the holders of the Bonds. Neither the State nor the Commission is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their accuracy on the Bonds, or as indicated above.

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STATE OF GEORGIA

Governor
NATHAN DEAL

Lieutenant Governor
CASEY CAGLE

Georgia State Financing and Investment Commission
270 Washington Street
Suite 2140
Atlanta, Georgia 30334
Telephone (404) 463-5700

Members
NATHAN DEAL - Governor, Chair
CASEY CAGLE - President of the Senate, Vice-Chair
DAVID RALSTON - Speaker of the House of Representatives
SAMUEL S. OLENS - Attorney General
GARY W. BLACK - Commissioner of Agriculture
STEVEN McCOY - State Treasurer
GREG S. GRIFFIN - State Auditor, Secretary and Treasurer

Financing and Investment Division
DIANA POPE - Director

Construction Division
STEVE STANCIL - Director and
Executive Secretary to the Commission

State Law Department (Issuer's Counsel)
SAMUEL S. OLENS - Attorney General

Co-Issuer's Counsel
GRAY PANNELL & WOODWARD LLP
Savannah, Georgia

Bond Counsel
HOLLAND & KNIGHT LLP
Atlanta, Georgia

Disclosure Counsel
KUTAK ROCK LLP
Atlanta, Georgia

Financial Advisor
PUBLIC RESOURCES ADVISORY GROUP
New York, New York

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No dealer, broker, salesperson or other person has been authorized by the Commission or the State to give any information or to make any representations, other than as contained in this Official Statement in connection with the issuance of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Commission or the State. This Official Statement does not constitute a contract between the Commission or the State and any one or more owners of the Bonds, nor does this Official Statement constitute an offer to sell the Bonds or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been furnished by the Commission or the State and by other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the State or any other parties described herein since the date hereof.

This Official Statement (including the Appendices attached hereto) contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement (including the Appendices attached hereto), the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward looking statements. These forward looking statements speak only as of the date of this Official Statement. The Commission and the State disclaim any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained herein to reflect any change in the Commission's or the State's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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SUMMARY STATEMENT

(Subject in all respects to more complete information herein this Official Statement.)

Issuer:	The State of Georgia ("State") acting by and through the Georgia State Financing and Investment Commission.
Offering:	$560,525,000 General Obligation Bonds 2015A $447,830,000 General Obligation Bonds 2015B (Federally Taxable) $275,985,000 General Obligation Refunding Bonds 2015C
Maturity:	The 2015A Bonds mature on each February 1, from February 1, 2016 to February 1, 2035. The 2015B Bonds mature on each February 1, from February 1, 2016 to February 1, 2030 inclusive and on February 1, 2035. The 2015B Bonds maturing February 1, 2035 are subject to mandatory redemption as described in "DESCRIPTION OF THE BONDS – *Mandatory Redemption of 2015B Bonds*" herein. The 2015C Bonds mature on each July 1, from July 1, 2016 to July 1, 2020. See "DESCRIPTION OF THE BONDS – Redemption Provisions" herein.
Interest:	Interest on the 2015A Bonds and the 2015B Bonds is payable each February 1 and August 1, with the first interest payment due on February 1, 2016, until final payment. Interest on the 2015C Bonds is payable each July 1 and January 1, with the first interest payment due on January 1, 2016, until final payment.
Dated Date:	Date of Initial Delivery.
Delivery Date:	On or about July 9, 2015.
Purpose:	The 2015A Bonds and the 2015B Bonds are being issued to provide funds for various capital outlay projects of the State. See "PURPOSE OF THE 2015A BONDS AND 2015B BONDS" herein for details. The 2015C Bonds are being issued to provide funds to refund certain outstanding general obligation bonds of the State. See "PURPOSE OF THE 2015C BONDS – PLAN OF REFUNDING" herein for details.
Security:	General obligations of the State to which its full faith, credit and taxing power are pledged.
Book-Entry Bonds:	Bonds will be issued in fully registered form without interest coupons in denominations of $5,000 and integral multiples thereof. Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York.
Redemption:	See "DESCRIPTION OF THE BONDS – Redemption Provisions" herein.
Bond Counsel:	Holland & Knight LLP, Atlanta, Georgia.
Disclosure Counsel:	Kutak Rock LLP, Atlanta, Georgia.
Financial Advisor:	Public Resources Advisory Group, New York, New York.
Registrar/ Paying Agent:	The Bank of New York Mellon Trust Company, N.A.
Bond Ratings:	Credit ratings are as shown on the front cover of this Official Statement and as more completely described in "RATINGS" herein.

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$1,284,340,000
State of Georgia

$560,525,000 General Obligation Bonds 2015A
$447,830,000 General Obligation Bonds 2015B (Federally Taxable)
$275,985,000 General Obligation Refunding Bonds 2015C

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to provide certain information concerning the State of Georgia (the "State") and the above referenced bonds comprised of: (i) State of Georgia General Obligation Bonds 2015A (the "2015A Bonds"), (ii) State of Georgia General Obligation Bonds 2015B (Federally Taxable) (the "2015B Bonds"), and (iii) State of Georgia General Obligation Refunding Bonds 2015C (the "2015C Bonds"). The 2015A Bonds, the 2015B Bonds, and the 2015C Bonds are referred to herein, collectively, as the "Bonds". The 2015A Bonds and the 2015C Bonds also are referred to herein, collectively, as the "Tax-Exempt Bonds" and the 2015B Bonds also are referred to herein as the "Taxable Bonds."

The Bonds are being issued by the Georgia State Financing and Investment Commission (the "Commission"), acting for and on behalf of the State, pursuant to the Constitution and laws of the State of Georgia and resolutions adopted by the Commission on June 10, 2015 (collectively, the "Resolutions"). The Bonds will constitute a debt of the State for which the full faith, credit and taxing power of the State are pledged to the payment of the Bonds and the interest thereon. See "SECURITY FOR THE BONDS" herein. The proceeds from the sale of the 2015A Bonds and the 2015B Bonds will be used to finance various capital outlay projects as described under "PURPOSE OF THE 2015A BONDS AND 2015B BONDS" herein. The State currently expects to use the original issue premium, if any, generated from the sale of the 2015A Bonds and the 2015B Bonds to fund a portion of various capital projects of the State, including the projects funded by the 2015A Bonds and the 2015B Bonds, and pay all or a portion of the costs of issuance of the 2015A Bonds and the 2015B Bonds. See "USE OF PREMIUM ON THE 2015A BONDS AND 2015B BONDS" herein. The proceeds from the sale of the 2015C Bonds will be used to pay all or a portion of the cost of issuance of the 2015C Bonds and to refund certain outstanding general obligation bonds of the State as described under "PURPOSE OF THE 2015C BONDS – PLAN OF REFUNDING" herein.

The Bonds are authorized to be issued pursuant to powers granted to the Commission in Article VII, Section IV of the Constitution of the State of Georgia (the "State Constitution") and the Georgia State Financing and Investment Commission Act (Ga. Laws 1973, p. 750, et seq., as amended, codified at Official Code of Georgia Annotated ("O.C.G.A.") § 50-17-20, et seq., referred to herein as the "Commission Act"). See "SECURITY FOR THE BONDS," "THE COMMISSION" and "APPENDIX A - DEBT AND REVENUE INFORMATION – DEBT INFORMATION - Appropriations and Debt Limitations" herein.

In the opinion of Bond Counsel, under existing laws, regulations, and judicial decisions, and assuming continued compliance with certain tax covenants, interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds and Taxable Bonds is exempt from present State of Georgia income taxation. See "APPENDIX E" and "APPENDIX F" herein for the forms of opinions Bond Counsel proposes to deliver in connection with the issuance of the Tax-Exempt Bonds and the Taxable Bonds, respectively. For a more complete discussion of such opinions and certain other tax consequences of owning the Bonds, including certain exceptions to the exclusion of the interest on the Tax-Exempt Bonds from gross income, see "LEGAL AND TAX STATUS - Tax Consequences of Owning the Bonds" herein.

The Bonds are offered when, as, and if issued, subject to validation by the Superior Court of Fulton County, Georgia, and the approving legal opinions of Holland & Knight LLP, Atlanta, Georgia, Bond Counsel. Certain legal matters will be passed on for the State by its Disclosure Counsel, Kutak Rock LLP, Atlanta, Georgia. See "LEGAL MATTERS" herein.

It is expected that the Bonds will be available for delivery in New York, New York, on or about July 9, 2015, in book-entry form only, with actual bond certificates immobilized in the custody of The Depository Trust Company ("DTC"), New York, New York, a registered securities depository, or its agent.

This Official Statement speaks only as of its date and is subject to change. This Introduction and the Summary Statement presented above represent a brief description of the matters contained herein, and a full review should be made of the entire Official Statement, as well as the appendices hereto and any documents described or summarized herein. Requests for additional information with respect to this Official Statement (including the appendices attached hereto) or a copy of the Resolution may be directed to Diana Pope, Director, Financing and Investment Division, Georgia State Financing and Investment Commission, 270 Washington Street, S.W., Suite 2140, Atlanta, Georgia 30334, telephone number (404) 463-5700.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery.

Interest on the 2015A Bonds and the 2015B Bonds is payable semiannually on February 1 and August 1 in each year (each as to the 2015A Bonds and the 2015B Bonds an "Interest Payment Date"), commencing February 1, 2016, until final payment.

Interest on the 2015C Bonds is payable semiannually on January 1 and July 1 in each year (each as to the 2015C Bonds an "Interest Payment Date"), commencing January 1, 2016, until final payment.

The Bonds will bear interest from the Interest Payment Date next preceding their date of authentication to which interest has been paid at the rates per annum set forth on the inside cover page of this Official Statement (computed on the basis of a 360-day year comprised of twelve 30-day months). Payment of the principal of and interest on the Bonds will be made by the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A., as Bond Registrar and Paying Agent, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, and subsequently will be disbursed to DTC Participants and thereafter to beneficial owners thereof (the "Beneficial Owners") of the Bonds as described below. When not in book-entry form, interest on the Bonds is payable by check or draft mailed by first-class mail on the Interest Payment Date to the owners thereof as shown on the books and records of the Bond Registrar on the 15th day of the calendar month next preceding the Interest Payment Date. When not in book-entry form, principal of the Bonds is payable upon surrender thereof at the designated corporate trust office of the Paying Agent.

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Redemption Provisions

Optional Redemption of the Bonds

The 2015A Bonds and the 2015B Bonds maturing on or before February 1, 2025 are not subject to optional redemption. The 2015A Bonds and the 2015B Bonds maturing on or after February 1, 2026 will be subject to optional redemption on and after February 1, 2025, in whole or in part at any time at par plus interest accrued thereon to the date fixed for redemption.

The 2015C Bonds are not subject to optional redemption.

Mandatory Redemption of the 2015B Bonds

The 2015B Bonds maturing on February 1, 2035 are subject to mandatory redemption at a redemption price equal to 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, and without premium on the dates and principal amounts as follows:

Redemption Dates	Amount
February 1, 2031	$18,385,000
February 1, 2032	19,160,000
February 1, 2033	19,965,000
February 1, 2034	20,800,000
February 1, 2035*	21,675,000

*Maturity

If the Commission optionally redeems or purchases 2015B Bonds, the par amount of the 2015B Bonds so redeemed or purchased shall be credited against the scheduled mandatory redemption amounts on a pro rata basis, subject to the operating procedures of DTC.

Redemption Notices - Selection of Bonds to be Redeemed

Upon receipt of notice from the State of its election to redeem the Bonds, the Paying Agent is to give notice of such redemption by mail to the holders of such Bonds to be redeemed not less than 30 days or more than 60 days prior to the date set for redemption. Failure by a particular holder to receive notice, or any defect in the notice to such holder, will not affect the redemption of any other Bond. The particular maturities of the Bonds to be redeemed will be determined by the Commission, on behalf of the State, in its sole discretion.

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, if less than all of the Bonds of a maturity are called for redemption prior to maturity, the particular Bonds of such maturity, or portions thereof to be redeemed shall be selected for redemption on a pro rata pass-through distribution of principal basis among the registered owners of such maturity, in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Bonds will be selected for redemption, in accordance with DTC procedures then in effect.

It is the Commission's intent that redemption allocations for the Bonds made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the Commission cannot provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the Bonds to be redeemed will be selected for redemption in accordance with DTC procedures then in effect. If the Bonds are not registered in book-entry only form, any redemption of less than all of a series and maturity of the Bonds shall be allocated among the registered owners of such Bonds on a pro-rata basis. See "DESCRIPTION OF THE BONDS - Book-Entry System" herein.

Registration, Exchange and Transfer

The Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof. The Commission and the Bond Registrar and Paying Agent may deem and treat the registered owner of a Bond as the absolute owner of such Bond for purposes of receiving payment of or on account of principal and interest payable thereon, and for other purposes; the Commission and the Bond Registrar and Paying Agent will not be affected by any notice to the contrary.

The Bonds will be issued in book-entry form registered in the name of Cede & Co., the nominee of DTC. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. While in book-entry form, registration of exchanges and transfers of beneficial ownership interests in the Bonds will be effected in accordance with DTC practices and procedures described below.

When not in book-entry form, ownership of any Bond is transferable upon surrender thereof to the Bond Registrar, together with an instrument of transfer assignment duly executed by the registered owner or its duly authorized agent, in such form as shall be satisfactory to the Bond Registrar. Upon any such transfer of ownership, the Bond Registrar will cause to be authenticated and delivered a new Bond or Bonds registered in the name of the transferee in an authorized denomination in the same aggregate principal amount and interest rate as the Bonds surrendered for such transfer. The Bonds may be exchanged for a like principal amount of Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Bond Registrar may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Bonds.

Book-Entry System

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources believed to be reliable. No representation is made herein by the Commission or the State as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchasers may own beneficial interests in the Bonds in the United States through DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents relating to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity, or maturities, to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct

Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commission and the Paying Agent. Under such circumstances, in the event that a substitute or successor securities depository is not obtained, Bond certificates will be printed and delivered as provided in the Resolution.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as provided in the Resolution.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMISSION AND THE STATE BELIEVE TO BE RELIABLE, BUT NEITHER THE COMMISSION NOR THE STATE TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE COMMISSION, THE STATE, NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (i) SENDING TRANSACTION STATEMENTS; (ii) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (iii) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; (iv) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS OR OWNERS OF THE BONDS; OR (v) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, reference herein to the registered owners of the Bonds (other than under the heading "LEGAL AND TAX STATUS - Tax Consequences of Owning the Bonds" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

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SECURITY FOR THE BONDS

The Bonds are direct and general obligations of the State. The Bonds are issued by the Commission pursuant to powers granted to the Commission in Article VII, Section IV of the State Constitution and the Commission Act. Article VII, Section IV, Paragraph VI of the State Constitution provides:

> The full faith, credit, and taxing power of the state are hereby pledged to the payment of all public debt incurred under this article and all such debt and the interest on the debt shall be exempt from taxation. Such debt may be validated by judicial proceedings in the manner provided by law. Such validation shall be incontestable and conclusive.

Article VII, Section IV, Paragraph III(a)(1) of the State Constitution provides:

> General obligation debt may not be incurred until legislation is enacted stating the purposes, in general or specific terms, for which such issue of debt is to be incurred, specifying the maximum principal amount of such issue and appropriating an amount at least sufficient to pay the highest annual debt service requirements for such issue. All such appropriations for debt service purposes shall not lapse for any reason and shall continue in effect until the debt for which such appropriation was authorized shall have been incurred, but the General Assembly may repeal any such appropriation at any time prior to the incurring of such debt. The General Assembly shall raise by taxation and appropriate each fiscal year, in addition to the sum necessary to make all payments required under contracts entitled to the protection of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976, such amounts as are necessary to pay debt service requirements in such fiscal year on all general obligation debt.

Article VII, Section IV, Paragraph III(a)(2)(A) of the State Constitution provides:

> The General Assembly shall appropriate to a special trust fund to be designated "State of Georgia General Obligation Debt Sinking Fund" such amounts as are necessary to pay annual debt service requirements on all general obligation debt. The sinking fund shall be used solely for the retirement of general obligation debt payable from the fund. If for any reason the monies in the sinking fund are insufficient to make, when due, all payments required with respect to such general obligation debt, the first revenues thereafter received in the general fund of the state shall be set aside by the appropriate state fiscal officer to the extent necessary to cure the deficiency and shall be deposited by the fiscal officer into the sinking fund. The appropriate state fiscal officer may be required to set aside and apply such revenues at the suit of any holder of any general obligation debt incurred under this section.

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Article VII, Section IV, Paragraph V of the State Constitution provides, in relevant part:

> The state may incur general obligation debt or guaranteed revenue debt to fund or refund any such debt or to fund or refund any obligations issued upon the security of contracts to which the provisions of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976 are applicable. The issuance of any such debt for the purposes of said funding or refunding shall be subject to the 10 percent limitation in Paragraph II(b) of this section to the same extent as debt incurred under Paragraph I of this section; provided, however, in making such computation the annual debt service requirements and annual contract payments remaining on the debt or obligations being funded or refunded shall not be taken into account. The issuance of such debt may be accomplished by resolution of the Georgia State Financing and Investment Commission without any action on the part of the General Assembly and any appropriation made or required to be made with respect to the debt or obligation being funded or refunded shall immediately attach and inure to the benefit of the obligations to be issued in connection with such funding or refunding.

In compliance with the above provisions of the State Constitution, the General Assembly has appropriated to the State of Georgia General Obligation Debt Sinking Fund (the "Sinking Fund") amounts sufficient to pay the highest annual debt service requirements on all outstanding general obligation debt. There are no contracts currently outstanding which are entitled to the protection of the second paragraph of Paragraph I(a), Section VI, Article IX of the Constitution of 1976. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION" and "APPENDIX B – BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014."

PURPOSE OF THE 2015A BONDS AND 2015B BONDS

The State Constitution provides that the State may incur two types of debt: (i) general obligation debt and (ii) guaranteed revenue debt. General obligation debt may be incurred to: acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, structures, equipment, or facilities of the State, its agencies, departments, institutions and certain State authorities; to provide educational facilities for county and independent school systems and to provide public library facilities for county and independent school systems, counties, municipalities, and boards of trustees of public libraries or boards of trustees of public library systems; and to make loans to counties, municipal corporations, political subdivisions, local authorities and other local government entities for water or sewerage facilities or systems or for regional or multijurisdictional solid waste recycling or solid waste facilities or systems. Guaranteed revenue debt may be incurred by guaranteeing the payment of certain revenue obligations issued by an instrumentality of the State as set forth in the State Constitution to finance certain specified public projects. There being no bonds scheduled to retire on or between the date of this Official Statement and prior to July 1, 2015, as of June 30, 2015, the State will have general obligation debt outstanding in an aggregate principal amount of $8,770,990,000 and guaranteed revenue debt outstanding in an aggregate principal amount of $327,110,000. On July 1, 2015, an aggregate of $298,640,000 outstanding general obligation debt is scheduled to be retired. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION."

The proceeds of the 2015A Bonds and 2015B Bonds are expected to be used for the purposes described below. A more detailed description of the purposes may be obtained from the legislative authorizations for the Bonds, as required by the State Constitution, in appropriations enacted as follows: (i) the General Appropriations Act for State Fiscal Year 2011-2012 (Ga. L. 2011, Volume One, Book Two Appendix, commencing at p. 1 of 231, Act No. 223, 2011 Regular Session, H.B. 78) signed by the Governor on May 12, 2011, as amended by the Supplementary General Appropriations Act for State Fiscal Year 2011-2012 (Ga. L. 2012, Volume One Appendix, commencing at p. 1 of 216, Act No. 406, 2012 Regular Session, H.B. 741) signed by the Governor on March 15, 2012, as further amended by the

General Appropriations Act for State Fiscal Year 2014-2015 (Ga. L. 2014, Volume One Appendix, commencing at p. 1 of 139, Act No. 632, 2014 Regular Session, H.B. 744) signed by the Governor on April 28, 2014, as further amended by the Supplementary General Appropriations Act for State Fiscal Year 2014-2015 (Ga. L. 2015, Volume One Appendix, commencing at p. 1 of 98, Act No. 1, 2015 Regular Session, H.B. 75) signed by the Governor on February 19, 2015; (ii) the General Appropriations Act for State Fiscal Year 2012-2013 (Ga. L. 2012, Volume One Appendix, commencing at p. 1 of 175, Act No. 775, 2012 Regular Session, H.B. 742) signed by the Governor on May 7, 2012, as amended by the Supplementary General Appropriations Act for State Fiscal Year 2012-2013 (Ga. L. 2013, Volume One Appendix, commencing at p. 1 of 131, Act No. 11, 2013 Regular Session, H.B. 105) signed by the Governor on March 27, 2013, as further amended by the General Appropriations Act for State Fiscal Year 2015-2016 (Ga. L. 2015, Volume One Appendix, commencing at p.1. of 251, Act No. 198, Regular Session, H.B. 76) signed by the Governor on May 11, 2015; (iii) the General Appropriations Act for State Fiscal Year 2013-2014 (Ga. L. 2013, Volume One Appendix, commencing at p. 1 of 239, Act No. 309, 2013 Regular Session, H.B. 106) signed by the Governor on May 7, 2013, as amended by the Supplementary General Appropriations Act for State Fiscal Year 2013-2014 (Ga. L. 2014, Volume One Appendix, commencing at p. 1 of 174, Act No. 347, 2014 Regular Session, H.B. 743) signed by the Governor on February 26, 2014 ("H.B. 743"); (iv) the General Appropriations Act for State Fiscal Year 2014-2015 (Ga. L. 2014, Volume One Appendix, commencing at p. 1 of 139, Act No. 632, 2014 Regular Session, H.B. 744) signed by the Governor on April 28, 2014 ("H.B. 744"), as amended by the Supplementary General Appropriations Act for State Fiscal Year 2014-2015 (Ga. L. 2015, Volume One Appendix, commencing at p. 1 of 98, Act No. 1, 2015 Regular Session, H.B. 75) signed by the Governor on February 19, 2015 ("H.B. 75"); and (v) the General Appropriations Act for State Fiscal Year 2015-2016 (Ga. L. 2015, Volume One Appendix, commencing at p. 1 of 251, Act No. 198, 2015 Regular Session, H.B. 76) signed by the Governor on May 11, 2015 ("H.B. 76").

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Amount	2015A Bonds Purpose
$ 2,375,000	To finance projects and facilities for the Department of Public Safety (Public Safety Training Center)
500,000	To finance projects and facilities for the Department of Agriculture
990,000	To finance projects and facilities for the Department of Audits and Accounts
3,700,000	To finance projects and facilities for the Department of Public Health
400,000	To finance projects and facilities for the Department of Banking and Finance
2,500,000	To finance projects and facilities for the State Accounting Office
7,460,000	To finance projects and facilities for the Department of Defense
188,810,000	To finance grants to county and independent school systems for educational facilities and equipment through the State Board of Education (Department of Education)
3,255,000	To finance projects and facilities for the Department of Education
43,070,000	To finance projects and facilities for the Technical College System of Georgia
5,000,000	To finance projects and facilities for the Department of Community Health
5,585,000	To finance projects and facilities for the State Forestry Commission
250,000	To finance projects and facilities for the Office of Planning and Budget
28,550,000	To finance projects and facilities for the Department of Human Services
1,250,000	To finance projects and facilities for the Department of Labor
35,360,000	To finance projects and facilities for the Department of Juvenile Justice
5,950,000	To finance projects and facilities for the Department of Natural Resources
765,000	To finance projects and facilities for the State Board of Pardons and Paroles
11,525,000	To finance projects and facilities for the Department of Public Safety
31,075,000	To finance projects and facilities for the Department of Corrections
11,060,000	To finance projects and facilities for the Georgia Bureau of Investigation
154,875,000	To finance projects and facilities for the Board of Regents of the University System of Georgia
9,950,000	To finance public library facilities through the Board of Regents of the University System of Georgia by grants to the governing boards of various public libraries
5,000,000	To finance projects and facilities for the Department of Revenue
195,000	To finance projects and facilities for the Department of Driver Services
5,400,000	To finance projects and facilities for the Soil and Water Conservation Commission
4,665,000	To finance projects and facilities for the Department of Transportation
9,425,000	To finance projects and facilities for the Georgia Building Authority
35,000,000	To finance projects and facilities for the Georgia Ports Authority
10,000,000	To finance a grant to the Georgia Environmental Finance Authority to provide loans to local governments and local government entities for water and sewerage facilities
$623,940,000	2015A Bonds Total

Amount	2015B Bonds Purpose
$ 1,500,000	To finance projects and facilities for the Vocational Rehabilitation Agency
9,000,000	To finance projects and facilities for the Department of Agriculture
9,500,000	To finance projects and facilities for the Department of Education
50,265,000	To finance projects and facilities for the Technical College System of Georgia
30,150,000	To finance projects and facilities for the Department of Natural Resources
133,315,000	To finance projects and facilities for the Board of Regents of the University System of Georgia
2,300,000	To finance projects and facilities for the Department of Driver Services
106,800,000	To finance projects and facilities for the Department of Transportation
5,000,000	To finance projects and facilities for the Jekyll Island-State Park Authority
25,000,000	To finance projects and facilities for the Department of Economic Development
75,000,000	To finance projects and facilities for the State Road and Tollway Authority
$447,830,000	2015B Bonds Total

The Commission Act provides that the Commission shall be responsible for the proper application of the proceeds of the 2015A Bonds and the 2015B Bonds to the purposes for which they are incurred and that the proceeds received from the sale of the 2015A Bonds and the 2015B Bonds shall be held in trust by the Commission and disbursed promptly by the Commission in accordance with the original purpose set forth in the authorization of the General Assembly and in accordance with rules and regulations established by the Commission.

USE OF PREMIUM ON THE 2015A BONDS AND 2015B BONDS

The State currently expects to use the original issue premium, if any, generated from the sale of the 2015A Bonds and the 2015B Bonds to fund a portion of various capital projects of the State, including the projects funded by the 2015A Bonds and the 2015B Bonds, and to pay all or a portion of the costs of issuance of the 2015A Bonds and the 2015B Bonds.

PURPOSE OF THE 2015C BONDS – PLAN OF REFUNDING

The State expects to use the proceeds of the 2015C Bonds to pay all or a portion of the cost of issuance on the 2015C Bonds and to refund all or a portion of certain previously issued State of Georgia general obligation bonds. Simultaneously with the issuance of the 2015C Bonds, the Commission will deposit or cause to be deposited a portion of the proceeds derived from the sale of the 2015C Bonds into a special fund (the "Refunding Escrow Fund") created under the terms of an Escrow Deposit Agreement, dated as of July 1, 2015 (the "Refunding Escrow Deposit Agreement"), by and among the Commission, acting for and on behalf of the State, The Bank of New York Mellon Trust Company, N.A., as Escrow Agent (the "Refunding Escrow Agent"), and The Bank of New York Mellon Trust Company, N.A., as Paying Agent for certain previously issued State of Georgia general obligation bonds, providing for the terms of the refunding of all or portions of such previously issued bonds (the portions of such bonds are herein collectively referred to as the "Refunded Bonds"). See "APPENDIX G" herein. The Refunded Bonds are being refunded to effect interest cost savings to the State. The Commission also has paid, or will cause to be paid, the fees of the Refunding Escrow Agent and the above-named Paying Agent in accordance with each of their regular billing procedures. The sums deposited into the Refunding Escrow Fund together with scheduled interest earnings shall be sufficient to provide for the payment of the principal, interest, and the redemption price of the Refunded Bonds. Said sums will be invested by the Refunding Escrow Agent in certain non-callable, general and direct obligations of the United States of America (the "Refunding Escrow Obligations") or held as cash in the Refunding Escrow Fund, all as set forth in the Refunding Escrow Deposit Agreement. The Refunding Escrow Obligations shall mature and bear interest at such times and in such amounts as shall be at all times sufficient to pay the interest on the Refunded Bonds from the date of delivery of the Bonds to and including the applicable redemption date for any such Refunded Bonds, and to redeem any such Refunded Bonds on the applicable redemption date and at the applicable redemption price, plus interest accrued thereon to the applicable redemption date. Under the terms of the Refunding Escrow Deposit Agreement, the Paying Agent for the Refunded Bonds has agreed to give appropriate notice of the redemption of the Refunded Bonds, as required under the terms of the various resolutions authorizing the issuance thereof. Moneys available from time to time in the Refunding Escrow Fund shall be held in trust and used by the Refunding Escrow Agent to pay such principal and interest and redemption price with respect to the Refunded Bonds, and will not be available for payment of debt service on the Bonds. Upon issuance of the 2015C Bonds and compliance with the requirements of the Refunding Escrow Deposit Agreement for the payment of all the Refunded Bonds now outstanding, pursuant to Article VII, Section IV, Paragraph V of the State Constitution, the annual debt service requirements of the Refunded Bonds shall not be included in any constitutional debt limitations.

The accuracy of the mathematical computations of the adequacy of the principal of and interest on the Refunding Escrow Obligations to provide for the payment when due of the interest on and the respective redemption prices of the Refunded Bonds will be verified by Terminus Analytics, LLC. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS – 2015C BONDS" herein.

The following table sets forth the estimated sources and uses of the proceeds of the 2015C Bonds.

Sources of Funds	
Principal Amount of 2015C Bonds	$275,985,000.00
Original Issue Premium	26,743,106.70
Total Sources of Funds	$302,728,106.70
Uses of Funds	
Deposit to Refunding Escrow Fund	$302,321,807.94
Costs of Issuance, Including Underwriter's Discount	406,298.76
Total Uses of Funds	$302,728,106.70

AUTHORIZED INDEBTEDNESS

During the 2015 General Session, the General Assembly adopted H.B. 76, the General Appropriations Act for the State Fiscal Year beginning July 1, 2015 and ending June 30, 2016 ("FY 2016"), and the Governor approved the authorization of an aggregate principal amount of $1,099,260,000 of new general obligation debt in the FY 2016 budget, the proceeds of which are to be used for various planned capital projects of the State, its departments and agencies; the General Assembly also provided for the repeal of an aggregate principal amount of $2,760,000 of previously authorized but unissued general obligation debt. As of July 1, 2015 the aggregate amount of authorized but unissued general obligation debt will be $1,512,840,000. Upon the issuance of the Bonds, there will remain $441,070,000 of authorized but unissued general obligation debt. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION – Authorized Indebtedness."

THE COMMISSION

The Commission is an agency and instrumentality of the State, and its members are the Governor, the President of the Senate, the Speaker of the House of Representatives, the State Auditor, the Attorney General, the State Treasurer, and the Commissioner of Agriculture.

The Commission is responsible for the issuance of all public debt of the State, including general obligation debt and guaranteed revenue debt. The Commission is further responsible for the proper application of the proceeds of such debt to the purposes for which it is incurred.

The Commission has two statutory divisions, a Financing and Investment Division and a Construction Division, each administered by a Director who reports directly to the Commission. The Financing and Investment Division performs all services relating to the issuance of public debt, the investment and accounting of all proceeds derived from the incurring of general obligation debt or such other amounts as may be appropriated to the Commission for capital outlay purposes, the management of other State debt, and all financial advisory matters pertaining thereto. The Construction Division is responsible for all construction and construction related matters resulting from the issuance of public debt or from any such other amounts as may be appropriated to the Commission for capital outlay purposes, except that in the case of bond proceeds for public road and bridge construction or reconstruction, the Commission contracts with the Department of Transportation or the Georgia Highway Authority for the supervision of and contracting for designing, planning, building, rebuilding, constructing, improving, operating, owning, maintaining, leasing and managing of public roads and bridges for which general obligation debt has been authorized. In all other cases when the Commission contracts with a State department, authority or agency for the acquisition or construction of projects, the projects are acquired and constructed under policies, standards and operating procedures established by the Commission. The Construction Division also is responsible for performing such construction-related services for State agencies and instrumentalities as may be assigned to the Commission by Executive Order of the Governor.

See "APPENDIX A – DEBT AND REVENUE INFORMATION" for information regarding, among other things, the State's appropriations and debt limitations, State revenues, authorized indebtedness, outstanding debt, State Treasury receipts, assessed valuation and debt ratios, and analysis of state general fund receipts and revenues. See "APPENDIX B – BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014" for information regarding, among other things, the budgetary processes, the accounting policies, the retirement systems, and the financial position of the State. See "APPENDIX C – STATISTICAL INFORMATION" for certain information regarding the economy and population of the State.

INVESTMENT OF STATE FUNDS

All funds within the State Treasury (which include proceeds of general obligation debt administered by the Commission) are invested in accordance with Georgia law and the investment policy established by the State Depository Board (the "Investment Policy"). The Investment Policy has four objectives and each portfolio is managed in a manner that is intended to: (1) preserve principal; (2) ensure adequate liquidity; (3) obtain a market rate of return taking cash flow requirements into consideration; and (4) diversify the portfolio. The Investment Policy also sets forth various credit constraints and limitations, as discussed more fully below.

Investment of General Obligation Debt Proceeds. The Commission Act provides that investments of proceeds of general obligation debt shall be limited to (i) general obligations of the United States or of subsidiary corporations of the United States government fully guaranteed by such government; (ii) obligations issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, Bank for Cooperatives, Federal Farm Credit Banks regulated by the Farm Credit Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association; (iii) tax exempt obligations issued by any state, county, municipal corporation, district, or political subdivision, or civil division or public instrumentality of any such government or unit of such government; (iv) prime bankers' acceptances; (v) units of any unit investment trusts the assets of which are exclusively invested in obligations of the type described above; or (vi) shares of any mutual fund the investments of which are limited to securities of the type described in clauses (i), (ii), (iii), and (iv) above and distributions from which are treated for federal income tax purposes in the same manner as the interest on such obligations, provided that at the time of investment such obligations or the obligations held by any such unit investment trust or the obligations held or to be acquired by any such mutual fund are limited to obligations which are rated within one of the top two rating categories of any nationally recognized rating service or any rating service recognized by the State Commissioner of Banking and Finance, and no others, or to securities lending transactions involving securities of the type described in this paragraph. Pursuant to Article VII, Section IV, Paragraph VII of the State Constitution, the Commission is responsible for the investment of the proceeds of general obligation debt and, as provided by law, including the Commission Act, is required to use the income earned on such proceeds to pay operating expenses of the Commission or to purchase and retire State debt. See "APPENDIX A – DEBT AND REVENUE INFORMATION – DEBT INFORMATION - Market Transactions to Retire Debt."

Investment of Sinking Fund Monies. Article VII, Section IV, Paragraph III(c) of the State Constitution and the Commission Act provide that (i) funds in the Sinking Fund be as fully invested as is practicable, consistent with the requirements to make current principal and interest payments and (ii) any Sinking Fund investments shall be restricted to obligations constituting direct and general obligations of the United States government or obligations unconditionally guaranteed as to the payment of principal and interest by the United States government, maturing no longer than 12 months from date of purchase.

Investment of State General Funds. Under Georgia law the State may invest its general fund monies in: (i) bankers' acceptances; (ii) commercial paper; (iii) bonds, bills, certificates of indebtedness, notes, or other obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government including, but not limited to, obligations or securities issued or guaranteed by Banks for Cooperatives regulated by the Farm Credit Administration, the Commodity Credit Corporation, Farm Credit Banks regulated by the Farm Credit Administration, Federal Assets Financing Trusts, the Federal Financing Bank, Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Financial Assistance Corporation chartered by the Farm Credit Administration, the Government National Mortgage Association, the Import-Export Bank, Production Credit Associations regulated by the Farm Credit Administration, the Resolution Trust Corporation, and the Tennessee Valley Authority; (iv) obligations of corporations organized under the laws of Georgia or any other state but only if the corporation has a market capitalization equivalent of at least $100 million; provided, however, that such obligation shall be listed as investment grade by a nationally recognized rating agency; (v) bonds, notes, warrants, and other securities not in default which are the direct obligations of the government of any foreign country which the International Monetary Fund lists as an industrialized country and for which the full faith and credit of such government has been pledged for the payment of principal and interest, provided that such securities are listed as investment grade by a nationally recognized rating agency; or (vi) obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation, provided that such securities are listed as investment grade by a nationally recognized rating agency and are fully negotiable and transferable. The Depository Board may also permit the lending of any securities of the type identified in this paragraph.

Georgia law also provides that the State may invest in the securities described above by selling and purchasing such obligations under agreements to resell or repurchase the obligations at a date certain in the future at a specific price which reflects a premium over the purchase or selling price equivalent to a stated rate of interest ("Repurchase Agreements").

Because of the credit constraints and limitations contained in the Investment Policy established by the State Depository Board, the State currently is authorized to invest the monies on deposit in its general fund in: direct obligations of the United States Treasury; obligations unconditionally guaranteed by agencies of the United States government; obligations of subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States government; and other permitted investments subject to certain criteria established by statute and the State Depository Board which include, among other things, credit and diversification requirements. Such other permitted investments include: repurchase agreements, certificates of deposit, commercial paper, negotiated investment deposit agreements, prime bankers' acceptances, obligations of the State or state agencies, obligations of other political subdivisions of the State, obligations of corporations, obligations issued by the government of any foreign country, obligations issued by the International Bank for Reconstruction and Development or the International Financial Corporation, and other such limitations as determined by the State Treasurer to be necessary for the preservation of principal, liquidity, or marketability of any of the portfolios.

Other State Treasury Investments. The Office of the State Treasury ("OST") manages the Local Government Investment Pools (comprised of "Georgia Fund 1" and the "Georgia Extended Asset Pool"). The local government monies invested in Georgia Fund 1 are commingled with State operating funds and State agencies' funds in the Georgia Fund 1 portfolio. Georgia Fund 1 maintains Standard & Poor's ratings of AAAf for fund credit quality and S1+ for fund volatility. The Georgia Extended Asset Pool consists of deposits of the State, State agencies, and local governments. The Georgia Extended Asset Pool maintains Standard & Poor's ratings of AA+f for fund credit quality and S1 for fund volatility. The OST also manages investment portfolios for the Commission, the Georgia Department of Transportation, the Georgia Lottery for Education Reserve, the Department of Community Health (State Health Benefit Plan), the Department of Administration Services Risk Management Fund, the Guaranteed Revenue Debt Common Reserve, and the Revenue Shortfall Reserve.

LEGAL AND TAX STATUS

Legality for Investments

The Commission Act provides that the Bonds are securities in which all public officers and bodies of the State and all municipalities and all municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, saving banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever who are authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital, in their control or belonging to them. The Commission Act further provides that the Bonds are securities which may be deposited with and shall be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purpose for which the deposit of the Bonds or other obligations of the State may be authorized.

Tax Consequences of Owning the Bonds

2015A and 2015C Bonds

Federal Tax Exemption. In the opinion of Holland & Knight, LLP, Bond Counsel, under existing law and in reliance upon certain certified proceedings and certifications furnished to Bond Counsel, interest on the Tax-Exempt Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, that the State, acting by and through the Commission (in such capacity, the "Issuer"), rebate certain excess earnings on proceeds and amounts treated as proceeds of the Tax-Exempt Bonds to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the Tax-Exempt Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Tax-Exempt Bonds in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the Tax-Exempt Bonds. The Issuer has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Tax-Exempt Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the Issuer complies with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Tax-Exempt Bonds.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the holders of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of the interest on the Tax-Exempt Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that altered or could alter certain federal tax consequences of owning obligations similar to the Tax-Exempt Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced in the near term that, if enacted, could change the federal tax consequences of owning the Tax-Exempt Bonds and, whether or not enacted, could have an adverse effect upon their market value. Prospective purchasers of the Tax-Exempt Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel has relied upon representations and covenants made on behalf of the Issuer and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the Tax-Exempt Bonds and of the property financed or refinanced thereby).

Reference is made to the proposed form of opinion of Bond Counsel attached hereto as "APPENDIX E – Form of Bond Counsel Opinion - Tax-Exempt Bonds" for the complete text thereof. Also see "LEGAL MATTERS" herein.

Alternative Minimum Tax. An alternative minimum tax is imposed by the Code on both corporations (as defined for federal income tax purposes) and on certain taxpayers other than corporations. Interest on the Tax-Exempt Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax and there therefore will not be included in the alternative minimum taxable income of corporations or of taxpayers other than corporations. Interest on the Tax-Exempt Bonds received by a corporate Bondholder, however, will be included in such Bondholder's adjusted current earnings. A corporation's alternative minimum taxable income will be increased by seventy-five percent (75%) of the corporation's adjusted current earnings not otherwise included in its alternative minimum taxable income. The rate of the alternative minimum tax imposed on corporations is twenty percent (20%).

Original Issue Premium. The 2015A Bonds maturing on February 1 in the years 2016 through 2029 and 2031 through 2034, and the 2015C Bonds maturing on July 1 in the years 2016 through 2020 (the "Tax-Exempt Premium Bonds"), have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Tax-Exempt Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Tax-Exempt Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Tax-Exempt Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Tax-Exempt Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Tax-Exempt Premium Bonds should consult an independent tax advisor in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering a Tax-Exempt Premium Bond at its maturity.

Original Issue Discount. The 2015A Bonds maturing on February 1, 2030 and February 1, 2035 (the “Tax-Exempt Discount Bonds”), have been sold to the public at an original issue discount. Generally, the original issue discount is the excess of the stated redemption price at maturity of such a Tax-Exempt Discount Bond over the initial offering price to the public (excluding underwriters and other intermediaries) at which price a substantial amount of that maturity of the Tax-Exempt Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Tax-Exempt Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Tax-Exempt Discount Bond, who acquires the Tax-Exempt Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Tax-Exempt Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Tax-Exempt Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Tax-Exempt Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Tax-Exempt Discount Bond in excess of the owner's adjusted basis (as increased by the amount of original issue discount that has accrued and has been treated as tax-exempt interest in such owner's hands), will be treated as a gain from the sale or exchange of such Tax-Exempt Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Tax-Exempt Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Tax-Exempt Discount Bonds should consult their own tax advisors with respect to the consequences of owning Tax-Exempt Discount Bonds, including the effect of such ownership under applicable state and local laws.

Other Tax Consequences. Prospective purchasers of the Tax-Exempt Bonds should be aware that ownership of the Tax-Exempt Bonds may result in collateral federal income tax consequences to certain taxpayers, including, but not limited to, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with “excess net passive income,” foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Tax-Exempt Bonds. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should also be aware that ownership of the Tax-Exempt Bonds may result in adverse tax consequences under the laws of various states. Prospective purchasers of the Tax-Exempt Bonds should consult independent advisors as to the consequences of owning the Tax-Exempt Bonds, including the effect of such ownership under applicable state and local laws and any collateral federal income tax and state tax consequences.

Information Reporting and Backup Withholding. Interest paid on the Tax-Exempt Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, however, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Tax-Exempt Bonds, under certain circumstances, to “backup withholding” at the fourth lowest rate applicable to unmarried individuals with respect to payments on the Tax-Exempt Bonds and proceeds from the sale of the Tax-Exempt Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Tax-Exempt Bonds. This backup withholding generally applies if the owner of Tax-Exempt Bonds (i) fails to furnish the paying agent (or other person who otherwise would be required to withhold tax from such interest payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Tax-Exempt Bonds also may wish to consult with independent tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions from backup withholding.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE TAX-EXEMPT BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE HOLDERS OF THE TAX-EXEMPT BONDS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE PURCHASERS OF THE TAX-EXEMPT BONDS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Reference is made to the proposed form of opinion of Bond Counsel attached hereto as "APPENDIX E – Form of Bond Counsel Opinion - Tax-Exempt Bonds" for the complete text thereof. Also see "LEGAL MATTERS" herein.

2015B Bonds

Opinion of Bond Counsel. The following general discussion sets forth certain of the anticipated federal income tax consequences from the purchase, ownership or disposition of the Taxable Bonds. This summary and the opinions referred to below are based upon the Code, including regulations, rulings and decisions now in effect, all of which are subject to change. The discussion below does not purport to address all aspects of federal taxation that may be relevant to particular investors in light of their individual circumstances, or to certain types of investors subject to special treatment under the federal income tax laws. Moreover there can be no assurance that contrary positions to those positions expressed below will not be taken by the Internal Revenue Service.

INTEREST EARNED ON THE TAXABLE BONDS IS NOT EXCLUDABLE FROM GROSS INCOME OF THE HOLDERS OF THE TAXABLE BONDS FOR FEDERAL INCOME TAX PURPOSES.

A prospective purchaser of the Taxable Bonds or other taxpayer should seek advice from an independent tax advisor which is based on the taxpayer's particular circumstances. Prospective purchasers are advised to consult their own tax advisors regarding both the federal income tax consequences from the purchase, ownership or disposition of the Taxable Bonds and any tax consequences arising under the laws of any state or other taxing jurisdiction.

Reference is made to the proposed form of opinion of Bond Counsel attached hereto as "APPENDIX F – Form of Bond Counsel Opinion for Taxable Bonds" for the complete text thereof. Also see "LEGAL MATTERS" herein.

Original Issue Premium. The 2015B Bonds maturing on February 1 in the years 2017 and 2026 through 2030, inclusive (the "Taxable Premium Bonds"), have been sold to the public at an original issue premium. Section 171 of the Code provides rules under which a premium paid for a Taxable Premium Bond may be amortized. Those rules permit the interest paid on a Taxable Premium Bond that would otherwise be included in the bondholder's gross income for federal income tax purposes to be reduced by the amount of the amortizable bond premium for the taxable year. Each holder of a Taxable Premium Bond may elect whether to amortize the original issue premium paid by it for federal income tax purposes. An election to amortize the original issue premium shall apply to all Taxable Premium Bonds held by the bondholder at the beginning of the first taxable year to which the election applies or thereafter acquired by the bondholder, and would be irrevocable without the consent of the Internal Revenue Service. If an election to amortize the original issue premium is made, Section 1016(a)(5) of the Code generally requires a reduction of the bondholder's basis in a Taxable Premium Bond held by it by the amount of the amortizable bond premium applied to reduce the interest income received on such Taxable Premium Bond. Proceeds received from the sale, exchange, redemption or payment of a Taxable Premium Bond in excess of the bondholder's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Taxable Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Taxable Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Taxable Premium Bonds at their maturity.

Tax Treatment of Foreign Investors. Under Sections 871 and 881 of the Code, interest income with respect to the Taxable Bonds held by non-resident alien individuals, foreign corporations or other non-United States persons ("Non-residents") may be subject to a 30% United States withholding tax unless that tax is reduced or eliminated pursuant to an applicable tax treaty. That withholding tax generally will not be imposed if the paying agent (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement identifying the beneficial owner of the Taxable Bonds and stating, among other things, that the beneficial owner is a Non-resident. The withholding tax will also not apply if interest on the Taxable Bonds is effectively connected with a United States business conducted by the Non-resident. Foreign investors should consult an independent tax advisor regarding potential imposition of the 30% withholding tax.

Backup Withholding. The Code subjects certain non-corporate owners of Taxable Bonds, under certain circumstances, to "backup withholding" at fourth lowest rate applicable to unmarried individuals with respect to interest payments on the Taxable Bonds and proceeds from the sale of Taxable Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Taxable Bonds. This withholding generally applies if the owner of Taxable Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other TIN, (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Taxable Bonds also may wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions from backup withholding.

Sales, Exchanges and Transfers. If a holder of a Taxable Bond sells or otherwise transfers a Taxable Bond, taxable gain or loss may result, as in the case of any sale or other transfer of an investment.

Defeasance. Defeasance of any Taxable Bond may result in a deemed reissuance thereof for U.S. federal income tax purposes, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the deemed exchange (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Taxable Bond.

State Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from present state income taxation within the State of Georgia. Interest on the Bonds may or may not be subject to state or local income taxation in jurisdictions other than the State of Georgia. Each purchaser of the Bonds should consult an independent tax advisor regarding the tax-exempt status of interest on the Bonds in a particular state or local jurisdiction other than the State of Georgia.

VALIDATION

As required by and in accordance with the procedure of the Commission Act, prior to delivery, the Bonds must and will be validated by order of the Superior Court of Fulton County prior to their issuance. Under the laws of the State of Georgia, the judgment of validation is final and conclusive with respect to the Bonds and the security therefor.

RATINGS

Moody's Investors Service, Inc. ("Moody's), Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and Fitch Ratings ("Fitch") have assigned the Bonds ratings of "Aaa", "AAA" and "AAA," respectively. The ratings reflect only the view of the respective rating agency. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing it. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the rating agencies. There is no assurance that any rating will remain in effect for a given period of time or that any rating will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any such change or withdrawal of a rating could have an adverse effect on the market price of the Bonds. Except as described under "CONTINUING DISCLOSURE" herein, neither the Commission nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of the Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

SALE AT COMPETITIVE BIDDING - UNDERWRITING

The 2015A Bonds, 2015B Bonds, and 2015C Bonds were awarded pursuant to electronic competitive bidding on June 9, 2015 and Commission action on June 10, 2015. The 2015A Bonds maturing on each February 1 from February 1, 2016 to February 1, 2025, inclusive (the "2015A Tranche 1 Bonds") were awarded to Goldman, Sachs & Co. ("Goldman") at an aggregate discount of $336,785.90 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. Goldman has supplied the information as to the initial yields on the 2015A Tranche 1 Bonds as set forth on the inside cover of this Official Statement. The 2015A Bonds maturing on each February 1 from February 1, 2026 to February 1, 2035, inclusive (the "2015A Tranche 2 Bonds") were awarded to Citigroup Global Markets Inc. ("Citi") at an aggregate discount of $540,189.80 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. Citi has supplied the information as to the initial yields on the 2015A Tranche 2 Bonds as set forth on the inside cover of this Official Statement. The 2015B Bonds maturing on each February 1 from February 1, 2016 to February 1, 2025, inclusive (the "2015B Tranche 1 Bonds") were awarded to Citi at an aggregate discount of $683,958.00 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. Citi has supplied the information as to the initial yields on the 2015B Tranche 1 Bonds as set forth on the inside cover of this Official Statement. The 2015B Bonds maturing on each February 1 from February 1, 2026 to February 1, 2030, inclusive, and on February 1, 2035 (the "2015B Tranche 2 Bonds") were awarded to Wells Fargo Bank, National Association ("Wells") at an aggregate discount of $2,044,138.38 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. Wells has supplied the information as to the initial yields on the 2015B Tranche 2 Bonds as set forth on the inside cover of this Official Statement. The 2015C Bonds were awarded to Citi at an aggregate discount of $209,748.60 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. Citi has supplied the information as to the initial yields on the 2015C Bonds as set forth on the inside cover of this Official Statement. All other information as to the nature and terms and any reoffering of the 2015A Tranche 1 Bonds, the 2015A Tranche 2 Bonds, the 2015B Tranche 1 Bonds, the 2015B Tranche 2 Bonds or the 2015C Bonds should be obtained from Goldman, Citi or Wells, as applicable, and not from the State.

LEGAL MATTERS

Legal matters incident to the validity of the Bonds are subject to the approving opinions of Holland & Knight LLP, Atlanta, Georgia, Bond Counsel. Bond Counsel has not been engaged to express any opinion with respect to the accuracy, completeness or sufficiency of any offering documents used in connection with the offering or sale of the Bonds. A copy of the proposed text of the opinion of Bond Counsel for the Tax-Exempt Bonds and Taxable Bonds, respectively, are set forth in APPENDIX E and APPENDIX F. A signed copy of such opinions for the Bonds dated and speaking only as of the date of original delivery of the Bonds will be available at the time of original delivery of the Bonds. See "LEGAL AND TAX STATUS" herein. Certain legal matters will be passed on for the State by its Disclosure Counsel, Kutak Rock LLP, Atlanta, Georgia.

ABSENCE OF CERTAIN LITIGATION

The Commission and the State, like other similar entities, are each subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Commission, after reviewing the current status of all pending and threatened litigation with its counsel, the Department of Law of the State, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the Commission or its officials in such capacity are adequately covered by insurance or self-insurance reserves maintained by the Commission or will not have a material adverse effect upon the financial position or results of operations of the Commission. The Commission, on behalf of the State, after reviewing the current status of all pending and threatened litigation with the State's counsel, the Department of Law of the State, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims pending or threatened against the State or its officials in such capacity are adequately covered by insurance or self-insurance reserves maintained by the State or will not have a material adverse effect upon the financial position or results of operations of the State. See "APPENDIX A – DEBT AND REVENUE INFORMATION – SIGNIFICANT CONTINGENT LIABILITIES" and "APPENDIX B - BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014 – Notes to the Financial Statements – Note 19: Litigation, Contingencies and Commitments."

There is no controversy or litigation pending, or to the knowledge of the Commission threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the pledge by the State of the full faith, credit and taxing power of the State to the payment of the Bonds, or the organization or powers of the Commission, including the power to issue general obligation debt on behalf of the State and to pledge the full faith, credit and taxing power of the State to the payment thereof. The

State is a party to certain litigation from time to time, which the Commission believes will not have a material adverse effect upon the ability of the Commission, on behalf of the State, to issue, sell, execute and deliver the Bonds and pledge the full faith, credit and taxing power of the State to the payment thereof.

CERTIFICATION AS TO OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Chairman and Secretary of the Commission will furnish a certificate to the effect that, to the best of their knowledge, the Final Official Statement does not, as of the Date of Delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used or which is necessary in order to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

FINANCIAL STATEMENTS

The Basic Financial Statements of the State as of and for the Fiscal Year ended June 30, 2014, included as APPENDIX B, have been prepared by the State Accounting Office and audited by the Department of Audits and Accounts. According to the Independent Auditor's Report, the financial statements of each major fund, aggregated remaining funds, aggregated discretely presented component units, business-type activities, and governmental activities are fairly presented in conformity with accounting principles generally accepted in the United States of America.

CONTINUING DISCLOSURE

The State has covenanted for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the State by not later than twelve (12) months after the end of each fiscal year, commencing with the fiscal year ended June 30, 2015 (the "Annual Report"), and to provide notice of the occurrence of certain events (the "Listed Events"). The Annual Report and any notices of Listed Events will be filed by the State with the centralized information repository developed and operated by the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") System in an electronic format as prescribed by the MSRB and with any similar repositories established by the State (if any). The specific nature of the information to be contained in the Annual Report and a description of the Listed Events is provided in "APPENDIX D – CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12. Certain financial information and operating data required to be provided for fiscal years 2009 and 2012 pursuant to certain of the State's prior continuing disclosure agreements were filed timely by the State with the MSRB on EMMA through the posting of various official statements and/or comprehensive annual financial reports. Such filings with the MSRB on EMMA may not have initially cross referenced all applicable CUSIP numbers for the State's bonds to denote such filings.

FORWARD LOOKING STATEMENTS

Any statements made in this Official Statement, including in the Appendices, involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized.

The statements contained in this Official Statement, including in the Appendices, that are not purely historical, are forward looking statements. Readers should not place undue reliance on forward looking statements. All forward looking statements included in this Official Statement are based on information available on the date hereof and the State does not assume any obligation to update any such forward looking statements. It is important to note that the actual results could differ materially from those in such forward looking statements. The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the State. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward looking statements included in this Official Statement, including in the appendices, would prove to be accurate.

MISCELLANEOUS

The references herein to the Bonds and the Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to the Bonds and the Resolution. A copy of the Resolution is on file in the offices of the Commission and following the delivery of the Bonds will be on file at the designated corporate trust office of the Paying Agent.

The agreement of the Commission with the holders of the Bonds is fully set forth in the Bonds and the Resolution, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement by the Commission with the purchasers of the Bonds.

The attached Appendices are integral parts of this Official Statement and should be read together with all of the foregoing statements. All estimates and other statements in this Official Statement, including the Appendices attached hereto, involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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The execution and distribution of this Official Statement has been approved in connection with the public offering of the Bonds.

/s/ *Greg S. Griffin*
Greg S. Griffin
Secretary and Treasurer
Georgia State Financing and Investment Commission

APPENDIX A

DEBT AND REVENUE INFORMATION

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APPENDIX A

TABLE OF CONTENTS

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This APPENDIX A to the Official Statement sets forth certain information with respect to the constitutional and statutory limitations with respect to indebtedness incurred by the State and its various institutions, departments and agencies and certain selected budgetary and financial data.

DEBT INFORMATION

Appropriations and Debt Limitations

Article III, Section IX, Paragraph IV(b) of the State Constitution provides in relevant part:

> The General Assembly shall not appropriate 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.

Article III, Section IX, Paragraph V of the State Constitution provides in relevant part:

> In addition to the appropriations made by the general appropriations Act and amendments thereto, the General Assembly may make additional appropriations by Acts, which shall be known as supplementary appropriation Acts, provided no such supplementary appropriation shall be available unless there is an unappropriated surplus in the state treasury or the revenue necessary to pay such appropriation shall have been provided by a tax laid for such purpose and collected into the general fund of the state treasury.

Article VII, Section IV, Paragraph III(a)(1) of the State Constitution provides in relevant part:

> All such appropriations for debt service purposes shall not lapse for any reason and shall continue in effect until the debt for which such appropriation was authorized shall have been incurred, but the General Assembly may repeal any such appropriation at any time prior to the incurring of such debt.

Article VII, Section IV, Paragraph I of the State Constitution provides that the State may incur two types of debt: (i) general obligation debt and (ii) guaranteed revenue debt. Pursuant to subparagraphs (c), (d), and (e) of Paragraph I, general obligation debt may be incurred to: acquire, construct, develop, extend, enlarge, or improve land, waters, property, highways, buildings, structures, equipment, or facilities of the State, its agencies, departments, institutions and certain State authorities; to provide educational facilities for county and independent school systems and to provide public library facilities for county and independent school systems, counties, municipalities, and boards of trustees of public libraries or boards of trustees of public library systems; and to make loans to counties, municipal corporations, political subdivisions, local authorities, and other local government entities for water or sewerage facilities or systems or for regional or multijurisdictional solid waste recycling or solid waste facilities or systems. Pursuant to subparagraph (f) of Paragraph I, guaranteed revenue debt may be incurred by guaranteeing the payment of certain revenue obligations issued by an instrumentality of the State as set forth in the State Constitution to finance certain specified public projects.

Article VII, Section IV, Paragraph II (b) – (e) of the State Constitution provides that:

> (b) No debt may be incurred under subparagraphs (c), (d), and (e) of Paragraph I of this section or Paragraph V of this section at any time when the highest aggregate annual debt service requirements for the then current year or any subsequent year for outstanding general obligation debt and guaranteed revenue debt, including the proposed debt, and the highest aggregate annual payments for the then current year or any subsequent fiscal year of the state under all contracts then in force to which the provisions of the second paragraph of Article IX, Section VI, Paragraph I(a) of the Constitution of 1976 are applicable, exceed 10 percent of the total revenue receipts, less refunds of the state treasury in the fiscal year immediately preceding the year in which any such debt is to be incurred.
>
> (c) No debt may be incurred under subparagraphs (c) and (d) of Paragraph I of this section at any time when the term of the debt is in excess of 25 years.
>
> (d) No guaranteed revenue debt may be incurred to finance water or sewage treatment facilities or systems when the highest aggregate annual debt service requirements for the then current year or any subsequent fiscal year of the state for outstanding or proposed guaranteed revenue debt for water facilities or systems or sewage facilities or systems exceed 1 percent of the total revenue receipts less refunds, of the state treasury in the fiscal year immediately preceding the year in which any such debt is to be incurred.
>
> (e) The aggregate amount of guaranteed revenue debt incurred to make loans for educational purposes that may be outstanding at any time shall not exceed \$18 million, and the aggregate amount of guaranteed revenue debt incurred to purchase, or to lend or deposit against the security of, loans for educational purposes that may be outstanding at any time shall not exceed \$72 million.

In addition, Article VII, Section IV, Paragraph IV of the State Constitution provides:

> The state, and all state institutions, departments and agencies of the state are prohibited from entering into any contract, except contracts pertaining to guaranteed revenue debt, with any public agency, public corporation, authority, or similar entity if such contract is intended to constitute security for bonds or other obligations issued by any such public agency, public corporation, or authority and, in the event any contract between the state, or any state institution, department or agency of the state and any public agency, public corporation, authority or similar entity, or any revenues from any such contract, is pledged or assigned as security for the repayment of bonds or other obligations, then and in either such event, the appropriation or expenditure of any funds of the state for the payment of obligations under any such contract shall likewise be prohibited.

Article VII, Section IV, Paragraph I (b) of the State Constitution provides that the State may incur: "Public debt to supply a temporary deficit in the state treasury in any fiscal year created by a delay in collecting the taxes of that year. Such debt shall not exceed, in the aggregate, 5 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year immediately preceding the year in which such debt is incurred. The debt incurred shall be repaid on or before the last day of the fiscal year in which it is incurred out of taxes levied for that fiscal year. No such debt may be incurred in any fiscal year under the provisions of this subparagraph (b) if there is then outstanding unpaid debt from any previous fiscal year which was incurred to supply a temporary deficit in the state treasury." Pursuant to O.C.G.A. § 50-17-24(b)(2), the amount of aggregate borrowing under this constitutional authorization currently is statutorily restricted to "1 percent of the total revenue receipts, less refunds, of the state treasury in the fiscal year immediately preceding the year in which such debt is incurred." No such debt has been incurred under this provision since its inception.

See "SECURITY FOR THE BONDS" and "APPENDIX B – STATE OF GEORGIA BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014" herein.

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Authorized Indebtedness

The following table sets forth by purpose the aggregate net principal amount of general obligation debt and guaranteed revenue debt authorized by the General Assembly of the State to be issued during the fiscal years ended June 30, 1975, through June 30, 2016. The amounts of such general obligation debt and guaranteed revenue debt actually funded (including the Bonds) and the remaining amounts authorized but unissued as of the date of issuance of the Bonds have been aggregated for presentation in the third and fourth columns of this table and labeled "Total State Debt Funded" and "Unissued Authorized Indebtedness." The amounts reflected in the column labeled "Total State Debt Funded" reflect the amount of authorized general obligation debt and guaranteed revenue debt funded through the issuance of bonds, a portion of which has been funded with initial issue premium upon the issuance of the bonds.

Purpose	General Obligation Debt Authorized	Guaranteed Revenue Debt Authorized	Total State Debt Funded (Including the Bonds)	Unissued Authorized Indebtedness
Transportation	$4,568,855,000	$ 755,245,000	$5,324,100,000	
School Construction	6,242,520,000		5,942,760,000	$299,760,000
University Facilities	5,544,833,000		5,452,373,000	92,460,000
World Congress Center	709,500,000		709,500,000	
Human Resources Facilities	402,460,000		388,700,000	13,760,000
Port Facilities	863,815,000		863,815,000	
Correctional Facilities	1,002,090,000		999,590,000	2,500,000
Public Safety Facilities	137,405,000		137,405,000	
Bureau of Investigation	108,095,000		108,095,000	
Department of Revenue	79,375,000		69,375,000	10,000,000
Department of Labor	55,060,000		55,060,000	
Department of Natural Resources	732,250,000		732,250,000	
Technical College System	1,674,492,000		1,664,492,000	10,000,000
Environmental Facilities Authority	780,100,000	97,470,000	877,570,000	
Dept. of Administrative Services	59,605,000		59,605,000	
Department of Agriculture	94,130,000		94,130,000	
Building Authority	574,915,000		574,915,000	
Stone Mountain Memorial Association	48,400,000		48,400,000	
Department of Veterans Services	16,055,000		16,055,000	
Jekyll Island State Park Authority	95,190,000		95,190,000	
Secretary of State	58,050,000		55,050,000	3,000,000
Department of Defense	44,760,000		44,760,000	
Department of Community Affairs	81,740,000		81,740,000	
Economic Development	165,065,000		165,065,000	
Soil and Water Conservation Comm.	23,840,000		23,840,000	
Department of Juvenile Justice	362,745,000		360,185,000	2,560,000
Forestry Commission	60,765,000		60,765,000	
Agricultural Exposition Authority	26,480,000		26,480,000	
All Other	144,640,000		137,610,000	7,030,000
Subtotal	24,757,230,000	852,715,000	25,168,875,000	441,070,000
Net Effect of Refunding Bonds:				
General Obligation Bonds	18,965,000		18,965,000	NA
Guaranteed Revenue Bonds		-20,310,000	-20,310,000	NA
Total	$24,776,195,000	$832,405,000	$25,167,530,000	$441,070,000

Source: Georgia State Financing and Investment Commission

Outstanding Debt

The following table sets forth the projected outstanding principal amount of indebtedness of the State. Subsequent to the issuance of the Bonds, there will be $441,070,000 of unissued authorized general obligation debt remaining to be issued. There is no unissued authorized guaranteed revenue debt to be issued.

	General Obligation	Guaranteed Revenue	Total Outstanding
Total bonds outstanding as of June 30, 2015	$8,770,990,000	$327,110,000	$9,098,100,000
Less bonds scheduled to be retired on July 1, 2015	-298,640,000	0	-298,640,000
Plus the 2015A Bonds and 2015B Bonds	1,008,355,000	0	1,008,355,000
Subtotal	9,480,705,000	327,110,000	9,807,815,000
Less bonds refunded by 2015C Bonds	-300,610,000	0	-300,610,000
Plus the 2015C Bonds	275,985,000	0	275,985,000
Projected total bonds outstanding upon issuance of the Bonds	$9,456,080,000	$327,110,000	$9,783,190,000

Source: Georgia State Financing and Investment Commission

In November 2010, Georgia voters approved an amendment to the State Constitution which provided that "The General Assembly may by general law authorize state governmental entities to incur debt for the purpose of entering into multiyear contracts for governmental energy efficiency or conservation improvement projects in which payments are guaranteed over the term of the contract by vendors based on the realization of specified savings or revenue gains attributable solely to the improvements…." (Ga. L. 2010, Volume One, Book One, p. 1264, 2010 Regular Session, S.R. 1231) Consequent to the ratification of said amendment to the State Constitution, S.B. 194, passed by the General Assembly during its 2010 session, and signed by the Governor on June 4, 2010, became effective January 1, 2011 (Ga. L. 2010, Volume One, Book One, commencing at p. 1091, Act No. 669, 2010 Regular Session, S.B. 194). S.B. 194 amended Title 50 of the Official Code of Georgia Annotated by adding Chapter 37, which is codified as O.C.G.A. § 50-37-1 through O.C.G.A. § 50-37-8 (the "Guaranteed Energy Savings Performance Act ("GESP Act")). The GESP Act, among other things, authorizes State governmental units to enter into such guaranteed energy savings performance contracts ("EPC" or "EPCs") for terms not to exceed twenty years. O.C.G.A. § 50-37-7(3) authorizes the Commission to establish a total multiyear guaranteed energy savings performance contract value and provided that any EPC entered into by a state entity that was not in compliance with the total contract value set by the Commission shall be void and of no effect. To date, $4,500,000 of Commission approved EPC contract value authority was utilized by the Georgia Department of Corrections for various energy conservation measures at the Phillips State Prison and $87,395,000 of approved EPC contract value authority remains for FY 2015. The Commission, at its June 10, 2015 meeting, approved the requests of the Georgia Environmental Finance Authority (i) to extend FY 2015 approvals in order that those approvals may be used in FY 2016 and (ii) for an additional $5,783,000 of EPC contract value authority for FY 2016. Per the Commission's adopted fiscal guideline policies for EPCs and multiyear rental agreements, the Commission generally will limit the total contract value authority to an amount that will not cause the ratio for debt service to prior year receipts in the Commission's debt management model to increase by more than 0.50%, or exceed the established debt management planning target, when including all existing and anticipated multiyear obligations. EPCs are not general obligation debt or guaranteed revenue debt of the State and therefore are not subject to the 10% debt limit described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

The State periodically acquires certain property and equipment through multiyear lease, purchase, or lease purchase contracts that are considered for accounting purposes to be capital lease or installment purchase obligations. The State also periodically leases land, office facilities, office and computer equipment, and other assets pursuant to leases that are considered for accounting purposes to be operating leases. For information regarding outstanding capital and operating leases entered into by the State, reference is made to Note 11 to the State's basic financial statements as of and for the Fiscal Year ended June 30, 2014, included herein as APPENDIX B.

In November 2012, Georgia voters approved an amendment to the State Constitution to authorize the General Assembly to allow certain State agencies to enter into multiyear rental agreements, without obligating present funds for the full amount of obligation the State may bear under the full term of such agreements. Consequent to the ratification of said amendment to the State Constitution, S.B. 37, passed by the General Assembly during its 2012 session, became effective January 1, 2013 (Ga. L. 2012, Volume One, Book Two, commencing at p. 989, Act No. 717, 2012 Regular Session, S.B. 37). As amended by S.B. 37, O.C.G.A. § 50-16-41(c) authorizes the State Properties Commission (the "SPC") to enter into multiyear lease agreements for administrative space on behalf of state agencies for terms not to exceed twenty years. Pursuant to O.C.G.A. § 50-16-41(l) the Commission established fiscal policies regarding multiyear lease and rental agreements and, each year, the Commission establishes total multiyear contract value authority for use by SPC and the Board of Regents. To date, the SPC has entered into thirteen (13) leases utilizing approximately $34.7 million of Commission approved multiyear rental agreement contract value authority and expects to utilize an additional $10.7 million by the end of FY 2015. There is $200 million of multiyear rental agreement contract value authority approved for use in FY 2016. The Board of Regents is expected to enter into a multiyear rental agreement in June 2015 of approximately $6.6 million. The Commission, at its June 10, 2015 meeting, approved the Board of Regents' request for $150 million of multiyear rental agreement contract value authority for FY 2016. Such multiyear rental agreements are not subject to the 10% debt limitation described under "DEBT INFORMATION - Appropriations and Debt Limitations" herein.

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Outstanding Debt Service

Principal and interest debt service payments are made in various months throughout the year; amounts shown in the following Outstanding Debt Service Schedule are the maximum aggregate scheduled sinking fund payments by fiscal year for all issued and outstanding debt, excluding the Bonds.

Outstanding Debt Service Schedule

	General Obligation Bonds		Guaranteed Revenue Bonds		Total Bonds		
Fiscal Year	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total Debt Service
2016	$743,670,000	$386,221,151	$38,045,000	$15,956,135	$781,715,000	$402,177,286	$1,183,892,286
2017	721,845,000	352,421,194	39,965,000	14,033,755	761,810,000	366,454,949	1,128,264,949
2018	714,090,000	318,373,214	41,980,000	12,014,125	756,070,000	330,387,339	1,086,457,339
2019	670,655,000	286,238,586	44,105,000	9,892,500	714,760,000	296,131,086	1,010,891,086
2020	625,440,000	255,967,686	46,335,000	7,663,500	671,775,000	263,631,186	935,406,186
2021	615,150,000	226,817,015	48,675,000	5,321,750	663,825,000	232,138,765	895,963,765
2022	562,430,000	198,845,929	21,545,000	2,861,625	583,975,000	201,707,554	785,682,554
2023	543,655,000	173,532,309	22,650,000	1,756,750	566,305,000	175,289,059	741,594,059
2024	512,975,000	149,615,351	23,810,000	595,250	536,785,000	150,210,601	686,995,601
2025	476,665,000	127,006,697			476,665,000	127,006,697	603,671,697
2026	460,290,000	104,225,242			460,290,000	104,225,242	564,515,242
2027	471,630,000	83,528,244			471,630,000	83,528,244	555,158,244
2028	390,510,000	64,455,438			390,510,000	64,455,438	454,965,438
2029	353,915,000	48,229,106			353,915,000	48,229,106	402,144,106
2030	267,670,000	33,613,918			267,670,000	33,613,918	301,283,918
2031	225,120,000	23,175,791			225,120,000	23,175,791	248,295,791
2032	199,540,000	14,482,089			199,540,000	14,482,089	214,022,089
2033	155,710,000	7,578,130			155,710,000	7,578,130	163,288,130
2034	60,030,000	2,177,764			60,030,000	2,177,764	62,207,764
	$8,770,990,000	$2,856,504,856	$327,110,000	$70,095,390	$9,098,100,000	$2,926,600,246	$12,024,700,246

Note: Total Interest and Total Debt Service amounts may not add precisely due to rounding.
Source: Georgia State Financing and Investment Commission

Rate of Debt Retirement

The following table sets forth the rate of scheduled debt retirement on all currently outstanding general obligation bonds and guaranteed revenue bonds, but not including the Bonds, of the State of Georgia.

Principal Amount Due	Amount	% of Total
In 5 Years (60 Months)	$3,686,130,000	40.5%
In 10 Years (120 Months)	6,513,685,000	71.6

Source: Georgia State Financing and Investment Commission

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Market Transactions to Retire Debt

From time to time the State uses earnings on invested general obligation bond proceeds to purchase outstanding general obligation bonds in secondary market transactions with dealers; bonds so purchased are then cancelled and are no longer outstanding. Beginning with the fiscal year ended June 30, 2010 ("FY 2010"), the very low interest rates available on the invested general obligation bond proceeds has resulted in significantly fewer funds available for this program than in preceding years; this condition is expected to continue for an indeterminate period of time into the future. The schedule below summarizes these transactions for the years indicated.

Fiscal Year Ended June 30	Par Value	Purchase Price (a)	Purchase Price as % of Par Value
2010	$39,335,000	$35,033,668	89.06%
2011	0	0	--
2012	0	0	--
2013	1,740,000	1,953,419	112.27
2014	880,000	1,043,224	118.548
2015 (b)	0	0	NA

(a) Excluding Accrued Interest
(b) Through May 30, 2015
Source: Georgia State Financing and Investment Commission

Debt Statistics

Certain information and statistics regarding the debt of the State are set forth in the following tables.

State Treasury Receipts

The State's compliance with its constitutional debt limitation is calculated on the basis of the State Treasury Receipts (revenue receipts less refunds) set forth in the table below. The annual percentage increase or decrease in such State Treasury Receipts is set forth in the third column of the table below.

Fiscal Year Ended June 30	State Treasury Receipts	% Change From Prior Year
2010	16,251,244,423	(8.9)%
2011	17,546,376,094	8.0
2012	18,316,797,048	4.4
2013	19,539,691,058	6.7
2014	20,256,765,495	3.7

Source: State Accounting Office

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Legal Debt Margin

The amounts permissible under the State's constitutional debt limitation are set forth below:

• Highest annual commitments permitted under constitutional limitation – 10% of State Treasury Receipts for FY 2014	$2,025,676,549
• Highest debt service for currently outstanding debt in any year (fiscal year to end June 30, 2016 ("FY 2016"))	$1,183,892,286
• FY 2016 Appropriated Net Debt Service for the Bonds	$79,480,391
• Total highest current outstanding debt service plus appropriated debt service for the Bonds	$1,263,372,677
• As a percent of FY 2014 State Treasury Receipts	6.24%
• Total additional debt service appropriations for all remaining currently authorized but unissued bonds, after issuance of the Bonds	$41,640,294
• Total highest annual commitments in any fiscal year, current outstanding debt service plus debt service appropriations for all currently authorized but unissued bonds	$1,305,012,971
• As a percent of FY 2014 State Treasury Receipts	6.44%
• Projected State Treasury Receipts for FY 2015	$20,905,865,588
• As a percent of FY 2015 Projected State Treasury Receipts	6.24%
• Projected State Treasury Receipts for FY 2016	$21,812,688,426
• As a percent of FY 2016 Projected State Treasury Receipts	5.98%

Sources: Georgia State Financing and Investment Commission; State Accounting Office

Assessed Valuation
(Real Estate and Personal Property)

The assessed valuation of real and personal property located in the State, its estimated actual value ("EAV"), and the assessed value as a percentage of the EAV are set forth in the table below.

Year	Assessed Valuation	Estimated Actual Value	Assessed as a % of EAV
2009	386,203,598,988	1,005,738,539,030	38.4%
2010	365,054,957,708	935,558,579,466	39.0
2011	350,260,546,889	875,651,367,224	40.0
2012	341,928,704,669	864,329,384,907	39.6
2013	337,598,773,233	860,124,263,015	39.2

Source: State of Georgia Department of Audits and Accounts, Sales Ratio Division

Article VII, Section I, Paragraph II (a) of the State Constitution provides:

"The annual levy of state ad valorem taxes on tangible property for all purposes, except for defending the state in an emergency, shall not exceed one-fourth mill on each dollar of the assessed value of the property."

Debt Ratios

The debt ratios set forth below in this table are based on the Assessed Valuation set forth in the table above and the following key statistics:

Projected Total State Debt Outstanding Upon Issuance of the Bonds (see "Outstanding Debt" herein)	$9,783,190,000
2014 Population Estimate (a)	10,097,343
2014 Total Personal Income Estimate ($000) (b)	$394,772,995
Debt per Capita	$968.89
Debt to Personal Income	2.48%
Debt to Estimated Actual Value	1.14%
Debt to Assessed Valuation	2.90%

(a) U.S. Department of Commerce, Bureau of the Census
(b) U.S. Department of Commerce, Bureau of Economic Analysis – Calendar Year 2014
Source: Georgia State Financing and Investment Commission

REVENUE INFORMATION

Fiscal Policy

Under Georgia law, the Governor is the State's Chief Executive and also is the ex officio Director of the Budget. The Governor is assisted in financial management by his Chief Financial Officer, who concurrently is serving as the Director, Office of Planning and Budget. The State Constitution assigns responsibility for revenue estimates to the Governor. The Governor is aided in this determination by revenue projections developed by the State Economist. The State Economist utilizes various sources of information and other forecasts of key U.S. and Georgia economic data when developing his forecasts. The State Economist's forecasts then are compared to publicly available forecasts such as those produced by the Georgia State University Economic Forecasting Center, and to consensus forecasts of the U.S. economy. The Governor also appoints a Council of Economic Advisors separate from the State Economist. The Council of Economic Advisors is comprised of economists from public and private entities who meet at the call of the Governor to provide independent economic and revenue forecasts on the current and future fiscal years.

Budgetary Controls and Cash Flow Management

The State Constitution requires the State to adopt a balanced budget. The State Constitution assigns responsibility for revenue estimates to the Governor, provides that no money may be drawn from the State Treasury except for appropriations made by law, and requires that the General Assembly annually appropriate state and federal funds necessary to operate all of the various departments and agencies of State government. It further provides that the general appropriations bill embrace only appropriations that were fixed by previous laws; the ordinary expenses of the executive, legislative, and judicial departments of State government; payment of the public debt and the interest thereon; and support of the public institutions and educational interest of the State.

Before money can be disbursed pursuant to an appropriation, it must be allotted (administratively allocated and approved for expenditure). Allotments are provided to State agencies and other budget units by issuance of warrants by the Governor's Office of Planning and Budget ("OPB"). A warrant is the approval of funding of the appropriated amount to a budget unit such that the budget unit has the funding available to expend in accordance with an appropriation. The Office of the State Treasury ("OST") funds warrants against the allotments as allotment draw requests are presented to it by the various State budget units and monitors approved, but undrawn allotment balances. Undrawn allotment balances include funding for expenditures associated with contracts resulting in some carry-forwards from the previous fiscal year. Allotments tend to be paid out gradually; however, there is a risk that a sudden increase in requests by budget units for previously allotted funds could strain the State's cash resources. OPB has the authority to withhold undrawn allotments prior to such allotments being funded by the OST, if necessary, to manage state expenditures to available revenues or to maintain liquidity as was the case in the fiscal year ended June 30, 2009 ("FY 2009") and FY 2010. During the course of a fiscal year, if it appears that revenues have fallen below the amounts originally anticipated, OPB can take steps to reduce State expenditures by requiring budget units to reserve appropriations or, through coordination with State agencies and other budget units, can delay approval of allotments and rescind prior allotments. OPB also may rescind previously approved but undrawn allotments should the funds no longer be needed for the purpose as originally budgeted as was the case in the fiscal years ended June 30, 2011 ("FY 2011") through FY 2013. In addition, the Governor can reduce the revenue estimate for a fiscal year and recommend that the legislature amend the then current budget to reflect lowered revenue estimates. The next regular session of the legislature is scheduled to begin in January 2016.

Treasury monitors cash balances available to fund appropriation allotments as they are presented for payment. If necessary, the State may take steps to ensure liquidity which could include managing the timing of allotments for appropriations and tax refunds as permitted by state law, withholding appropriation allotments, or rescinding appropriation allotments. Although it has not used other measures to maintain sufficient liquidity, the State has other legally authorized options available to enable it to access liquidity in more extraordinary circumstances, including securing a bank line of credit, issuing short-term debt, transacting reverse repurchase agreements, or internal borrowing. Under current State law, the amount that could be drawn on an external line of credit is limited to one percent (1%) of the prior year's receipts and any such borrowing must be repaid within the same fiscal year it was incurred.

Senate Resolution 415

During its 2014 session, the General Assembly adopted Senate Resolution 415, which proposed an amendment to the State Constitution related to State income taxes. The amendment, which was voted upon in the November 2014 general election and passed became effective on January 1, 2015 prohibits any increase in the maximum marginal rate of income tax which was in effect on January 1, 2015, which was six percent (6%). The State income tax rate has never exceeded 6% since its initial imposition. During the most recent five fiscal years, income taxes have accounted for approximately 44% of total State Treasury receipts.

Revenue Shortfall Reserve

With respect to the revenue shortfall reserve and the mid-year adjustment reserve, O.C.G.A. § 45-12-93 provides in relevant part:

(a) There shall be a reserve of state funds known as the "Revenue Shortfall Reserve."

(b) The amount of all surplus in state funds existing as of the end of each fiscal year shall be reserved and added to the Revenue Shortfall Reserve. Funds in the Revenue Shortfall Reserve shall carry forward from fiscal year to fiscal year, without reverting to the general fund at the end of a fiscal year. The Revenue Shortfall Reserve shall be maintained, accumulated, appropriated, and otherwise disbursed only as provided in this Code section.

(c) For each existing fiscal year, the General Assembly may appropriate from the Revenue Shortfall Reserve an amount up to 1 percent of the net revenue collections of the preceding fiscal year for funding increased K-12 needs.

(d) The Governor may release for appropriation by the General Assembly a stated amount from funds in the Revenue Shortfall Reserve that are in excess of 4 percent of the net revenue of the preceding fiscal year.

(e) As of the end of each fiscal year, an amount shall be released from the Revenue Shortfall Reserve to the general fund to cover any deficit by which total expenditures and contractual obligations of state funds authorized by appropriation exceed net revenue and other amounts in state funds made available for appropriation.

(f) The Revenue Shortfall Reserve shall not exceed 15 percent of the previous fiscal year's net revenue for any given fiscal year.

The following tables set forth certain information regarding the State's Revenue Shortfall Reserve for the fiscal years shown.

Total State General Funds and Revenue Shortfall Reserve ($ in millions)

		Revenue Shortfall Reserve (a)		
Fiscal Year	Total State General Funds	Total Reserves	1% Education (K-12) (b)	Net
2010	$15,216	$268	$152	$116
2011	16,559	494	166	328
2012	17,270	551	173	378
2013	18,296	900	183	717
2014	19,168	1,055	192	863

(a) The amount by which the total Revenue Shortfall Reserve exceeds 4% of the net revenue collections (referred to as "State General Funds" above) of the preceding fiscal year may be released by the Governor for appropriation by the General Assembly. For the fiscal years shown above, no funds in addition to the 1% for funding increased educational needs (see (b) below) were released by the Governor.

(b) Up to 1% of the net revenue collections (referred to as "State General Funds" above) of the preceding fiscal year may be used for funding increased educational (K-12) needs. Such amounts for the fiscal years ending June 30, 2010 through June 30, 2014 were appropriated in the immediate subsequent fiscal year for this purpose (see the table entitled, "GEORGIA REVENUES" herein).

Source: State Accounting Office
Note: Amounts may not add precisely due to rounding.

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Reconciliation of Revenue Shortfall Reserve - FY 2013 and FY 2014 Uses

FY 2013 Revenue Shortfall Reserve Balance as of June 30, 2013	$717,324,098
Plus Excess of FY 2014 Total Budget-Based Revenues Available Over FY 2014 Appropriations	270,601,912
Plus Audited Agency Lapse of Surplus Funds	66,587,504
Less 1% Mid-year Adjustment for K-12 Education Appropriation in Amended FY 2015 Budget	(191,678,066)
Revenue Shortfall Reserve Balance as of June 30, 2014	$862,835,448

Source: State Accounting Office

Fiscal Performance

FY 2014 Results. FY 2014 state general fund revenues grew by 4.8% over FY 2013. Revenues from total taxes grew by 5.1% compared to FY 2013 and revenue from interest, fees and sales grew by 0.5% compared to FY 2013. This was the fourth consecutive year of state general fund revenue and tax revenue growth. The Amended FY 2014 budget estimated state general fund revenue growth of 3.4% compared to FY 2013. Total tax revenues were estimated to grow 3.7% compared to FY 2013. Total state general fund revenue collections exceeded the Amended FY 2014 Budget by $248.1 million.

Individual income tax revenues grew by 2.2% in FY 2014 compared to FY 2013. Withholding revenues grew by 4.1% in FY 2014 compared to FY 2013. Revenues from other individual payment types, which includes payments with returns, estimated payments and non-resident payments, declined by 4.7% in FY 2014 compared to FY 2013. Some of this revenue decline likely is associated with high-income individual taxpayers realizing income and capital gains in tax year 2012 rather than waiting until tax years 2013, 2014, and later in order to avoid the higher federal income tax rates that were anticipated to take effect in tax year 2013.

Corporate income tax revenues grew by 18.4% in FY 2014 compared to FY 2013. Total corporate payments grew by 13.2% and corporate refunds paid decreased by 8.9% in FY 2014 compared to FY 2013.

Sales tax revenues declined by 2.9% in FY 2014 compared to FY 2013. Two significant changes to Georgia's sales tax base were implemented during FY 2013. First, a partial exemption from sales tax for energy used in manufacturing and an expansion of the existing exemption for energy used in agriculture became effective on January 1, 2013. Second, the sales tax on automobile sales was eliminated on March 1, 2013 and replaced with the title ad valorem tax. Thus, FY 2014 revenues reflect both of these changes being in force for an entire fiscal year.

Revenue Shortfall Reserve. Georgia's Revenue Shortfall Reserve increased to $863 million at the end of FY 2014 from $717 million at the end of FY 2013 and this amount is net of the appropriation of the Amended FY 2015 1% mid-year adjustment of $192 million for K-12 education needs. The increase in the RSR balance reflected excess funds over appropriations plus agency lapse.

Changes to Georgia's Tax Code. During its 2015 legislative session, the General Assembly passed several bills that were signed into law by the Governor that amended Georgia's tax code.

The most significant changes will result from House Bill ("HB") 170 that becomes effective on July 1, 2015 which will overhaul the way Georgia funds transportation. HB 170 is expected to have a material impact on Georgia tax revenue collections and encompasses numerous provisions affecting the tax code and future revenue collections. These provisions are:

- Consolidate all state motor fuel taxes into an excise tax which is indexed to inflation and vehicle manufacturer corporate average fuel economy standards. This takes the existing two part motor fuel tax structure and consolidates it into a single tax structure. Current law includes an excise tax and a prepaid motor fuel sales tax based on the price of fuel. The prepaid state rate is 4% with 3% allocated to motor fuel collections and 1% allocated to the general funds of the State (the "Fourth Penny"). HB 170 eliminates the prepaid rate including the 1% allocated to the state general fund revenues. The elimination of the "fourth penny" is expected to reduce state general fund revenues by $167 million in FY 2016.
- Repeal a current exemption for qualifying airlines of 1% of the 4% state sales tax on sales and use of jet fuel.
- Implement a Highway User Impact Fee on alternative fuel vehicles.
- Implement a Highway Impact Fee on heavy trucks.
- Eliminate Georgia's income tax credits for purchases of low and zero emission vehicles.
- Implement a fee on hotel and motel room rentals of $5 per night.

The table below summarizes the expected impact of each of these provisions on state revenues over the next five fiscal years:

Overall Effects of HB 170 on State Revenues

($ millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Repeal of "Fourth Penny"					
Low Fuel Price Scenario	($167.8)	($153.7)	($155.4)	($157.2)	($159.0)
High Fuel Price Scenario	($167.8)	($157.5)	($167.1)	($177.4)	($188.3)
Net Change in Motor Fuel Tax Revenues					
Low Fuel Price Scenario	$663.6	$741.0	$800.3	$842.7	$867.3
High Fuel Price Scenario	$668.3	$740.4	$783.2	$805.8	$806.8
Highway User Impact Fees on Alt. Fueled Vehicles					
Low Growth	$3.3	$3.5	$3.8	$4.1	$4.5
High Growth	$3.5	$3.7	$4.0	$4.4	$4.8
Elim. LEV/ZEV Tax Credit					
Revenue Effect	$16.4	$90.1	$124.3	$155.6	$187.2
Repeal of Jet Fuel Exemption					
Revenue Effect	$21.4	$26.1	$28.9	$30.2	$31.6
Highway Impact Fees on Heavy Trucks					
Revenue	$5.0	$5.0	$5.0	$5.0	$5.0
Hotel/Motel Room Fee					
Revenue	$158.1	$158.1	$158.1	$158.1	$158.1
Net Change in State Revenues					
Low Fuel Price Scenario	$700.0	$870.1	$965.0	$1,038.5	$1,094.7
High Fuel Price Scenario	$704.9	$865.9	$936.4	$981.7	$1,005.2

HB 170 also created a Special Joint Committee on Georgia Revenue Structure (the "Committee"). Pursuant to HB 170, the Committee was directed to develop comprehensive tax reform legislation for consideration during the 2016 session of the General Assembly. Such legislation shall, after its introduction, be referred directly and only to the Committee. If the Committee recommends that one or more bills or resolutions referred to it pass or pass by Committee substitute, the measure or measures recommended by the Committee shall then be in order for consideration only by the House of Representatives at any time fixed by the Speaker of the House of Representatives. Any such bill or resolution shall be reported directly to the floor of the House of Representatives and shall receive an up or down vote as reported from the Committee without amendment. If one or more bills or resolutions referred by the Committee are passed by the House of Representatives, the measure or measures shall then be in order for consideration by the Senate at any time fixed by the President of the Senate. Any such bill or resolution shall be reported directly to the floor of the Senate and shall receive an up or down vote as reported from the House of Representatives without amendment.

Additional tax legislation passed by the General Assembly in 2015 and signed into law by the Governor is expected to have a small impact on state revenue collections. Some of this legislation extends existing provisions of Georgia's tax code including extending certain tax credits and continuing to link key provisions of Georgia's tax code overall to conform to the federal tax code. Legislation which creates new sales and title ad valorem tax exemptions for automobile manufacturing headquarters operations and for private colleges construction materials are expected to reduce state tax revenues by about \$3 million in FY 2016. The sales tax exemption for private colleges' construction materials sunsets at the conclusion of FY 2016. HB 308 creates an income tax credit for rehabilitating certain historic structures that sunsets in FY 2021, but unused credits may be carried forward to subsequent fiscal year(s). This credit is expected to reduce state revenues by \$36.6 million in FY 2017 and \$44.1 million in FY 2018.

FY 2015 Year to Date Results. The Department of Revenue reported tax revenues have grown by 7.1% for FY 2015 to date through April 2015 (ten months) as compared to the same period in FY 2014. Unless otherwise noted, all subsequent comparisons within this section refer to this same ten month period for FY 2015 versus the same ten month period for FY 2014.

Individual income tax revenues are up 8.8%. Withholding revenues have grown 5.7%. Individual payments other than withholding have grown by 17.4%. Individual income tax refund payments also have increased and are up 3.7%.

Corporate income tax revenues are up 5.6%. Revenues from all corporate payments are up 6.4% and refunds paid have increased by 10.7%.

Sales tax revenues have increased by 5.7%. No significant changes in sales tax policy were implemented during FY 2014, so this growth rate reflects the underlying growth in taxable spending.

Motor Vehicle Tag, Title and Fees revenues are up 8.6%. This category includes the title ad valorem tax that was implemented concurrent with the elimination of the sales tax on automobiles effective on March 1, 2013.

Current Economic Indicators. The economic recovery in the U.S. has been in place since mid-2009. Since the recovery began, the U.S. has experienced several cycles where gross domestic product ("GDP") growth accelerated followed by a slowdown in growth only to re-strengthen again. GDP growth exceeded 5.0% in 3rd quarter of 2014, slipped to 2.2% in the 4th quarter of 2014 and then declined substantially in 1st quarter 2015 with GDP growth declining 0.7% over the prior quarter at a seasonally adjusted annual rate. This slowdown was driven by a combination of harsh winter weather in much of the U.S. and a necessary re-balancing in growth drivers. This re-balancing is due to the sharp fall in oil prices which reduced investment and employment in the oil drilling business and the ramp up in the value of the dollar in international currency markets which is hurting exports and boosting imports.

Employment continues to expand in the U.S., but growth was slower in the 1st quarter of 2015 compared to the last half of 2014. Net job additions averaged 281,000 per month over the July 2014 through December 2014 period. This fell to 181,000 per month in the 1st quarter 2015. Net job additions recovered to 223,000 additions in April 2015, but are below the rate achieved in the second half of 2014. Other labor market indicators show continued improvement in the national labor market. Initial unemployment claims currently are averaging fewer than 300,000 per month, while the overall unemployment rate is trending down and hit 5.4% in April 2015.

The Institute of Supply Management ("ISM") Indices for Manufacturing and for Services remain above 50, the dividing line between expansion and contraction and have strengthened in recent months. As of April 2015, the ISM index for manufacturing has declined to 51.5 from its recent high of 58.1 in August 2014. The combination of falling investment in oil and gas drilling and the declining exports has slowed growth in manufacturing. The ISM index for services in April 2015 is 57.8, up from a reading of 56.5 in March 2015.

Employment in Georgia is growing at a strong pace that exceeds the year over year growth in U.S. employment as of April 2015. Georgia year over year employment growth as of April 2015 equaled 3.0% compared to 2.2% for the U.S. labor market. As of April 2015, total non-farm employment increased by 121,900 jobs over April 2014. Georgia's employment growth has been well-diversified. Net job growth, measured on a year over year three month moving average basis as of April 2015, has been positive for Georgia's ten leading industry sectors. Leisure and hospitality, professional and business services, education and health, and trade, transportation and utilities posted the strongest growth rates as of April 2015. Regional growth also is well diversified. All thirteen metro areas tracked by the Bureau of Labor statistics posted positive year over year job growth on a three month moving average basis as of April 2015.

Georgia's unemployment rate declined to 6.3% in April 2015 from 7.3% in April 2014. Over this twelve month period, Georgia's labor market experienced increases in its labor force and household employment and declines in the number of unemployed.

The Purchasing Managers Index ("PMI") for manufacturing in Georgia in April 2015 is 59.5, which is well above the neutral level of 50 and exceeds the US ISM index reading of 51.5. The Georgia PMI index indicates that the Georgia manufacturing sector is expanding rapidly.

Personal income growth in Georgia is moderate. Growth on a year over year basis has ramped up over the last four quarters with growth reaching 5.2% year over year as of the 4th quarter of 2014. This compares to growth in U.S. personal income of 4.5% for the same quarter. Income from wages and salaries in Georgia has grown more quickly than total personal income over the last year. Income from wages and salaries grew at 6.2% year over year in 4th quarter 2014.

The housing sector in Georgia and nationally has not recovered as quickly as was expected a year ago, however prices are rising. The S&P Case Shiller Home Price Index for the Atlanta metropolitan area is up 5.6% as of February 2015 compared to February 2014. This growth is slightly stronger than that posted by the composite index for 20 metro areas which came in at 5.0%.

Other U.S. housing indicators are getting slightly stronger. Home sales have moved erratically month to month with large increases and decreases from the prior month. On a year over year basis as of April 2015, existing home sales are up 6.1% while new home sales are up 26.1% following a surge in new home sales in April. The pending home sales index has risen in each of the last five months through April 2015. Thus, home sales activity appears to be gathering momentum. In contrast, housing starts had been weak in January and February of 2015 before recovering in March and April. The weakness of sales in the winter months may have been an impact of the cold weather.

While mortgage credit quality continues to improve, foreclosure rates and mortgage delinquency rates in Georgia remain above the U.S. averages, which is the historical norm. Foreclosure rates are almost in line with pre-recession levels. Delinquencies are still running higher than pre-recession levels, but are trending down.

Overall, housing indicators continue to improve, but the pace of recovery is slow.

Amended FY 2015 Budget. The Amended FY 2015 budget anticipates state general fund revenues growth of 3.4% over the FY 2014 state general fund revenue collections and total tax revenue growth of 3.6% over the FY 2014 tax revenue collections. The Amended FY 2015 budget was increased over the original FY 2015 budget by $86.9 million. Neither the original FY 2015 budget nor the Amended FY 2015 budget required state agencies to submit budget reductions. New revenues are projected to be sufficient to cover additional growth needs in core spending areas. Funding for the required contributions for state retirement systems was fully funded in the original FY 2015 budget with no additional funding required in the Amended FY 2015 budget.

The Amended FY 2015 budget focused on adequately funding growth needs in education and healthcare spending. The Amended FY 2015 budget included $129 million for mid-term growth in the Quality Basic Education funding formula for K-12 education and $15 million for the Forestland Protection Grant program, of which $8.3 million will go directly to local school systems whose property tax digests have been impacted by dedicated forestland. The Amended FY 2015 budget also includes $35 million for the OneGeorgia Authority to provide additional grants to local school systems to expand digital learning opportunities. The Amended FY 2015 budget includes an additional $39 million for the Medicaid and PeachCare for Kids programs for projected expense growth due in part to additional costs associated with implementation of the Patient Protection and Affordable Care Act of 2010 (PPACA), as well as to meet projected expenses associated with new Hepatitis C drug therapies. Finally, the Amended FY 2015 budget includes $15.3 million to provide additional resources to the State's child welfare programs to meet an anticipated increase in need for services.

At this time, growth in revenue collections is in excess of the pace built into the Amended FY 2015 budget revenue estimate. The State will continue to monitor revenue trends and is prepared to take steps should revenue performance deteriorate below expectations.

FY 2016 Budget. The FY 2016 budget revenue estimate assumes tax revenue growth of 4.6% and state general fund revenues growth in the range of 4.4% compared to Amended FY 2015 budget revenue estimate. As in FY 2015, no reductions to agency budgets were necessary in FY 2016. Anticipated new growth in revenues primarily will be used to meet the expected growth in K-12 education needs and the increase in required contributions to the state's pension funds. The FY 2016 budget includes an additional $519.6 million for K-12 education to allow local school systems to increase instructional days, eliminate teacher furloughs, or enhance teacher salaries. These funds will meet enrollment growth needs in the system as well as continue to restore funding reduced from the K-12 budget during the economic recession. The budget also fully funds the required contributions to the Teachers Retirement System and Employees' Retirement System through an increase in these appropriations of $93 million and $46 million, respectively. Finally, the FY 2016 budget includes significant capital investments in the State's transportation infrastructure network through the authorization of $100 million in general obligation bonds for rehabilitation of the State's bridges and $75 million to support statewide transit efforts.

Budget instructions for the Amended FY 2016 budget and the FY 2017 budget are expected to be issued in July 2015. At that time, initial planning estimates for the Amended FY 2016 budget and the FY 2017 budget will be developed for the Governor's consideration. Those estimates will incorporate a revised outlook based on any legislation passed during the 2015 session of the General Assembly that may impact state revenues and the most recent economic data. In addition, these estimates will factor in actual FY 2015 revenue collections as a new baseline for estimating future growth.

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Georgia Revenues
Actual FY 2010 – FY 2014

The following table sets forth actual budget-based State revenues available for appropriation.

State General Funds	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Net Taxes: Department of Revenue					
Income Tax – Individual	$7,016,412,171	$7,658,782,326	$8,142,370,500	$8,772,227,404	$8,965,572,421
Income Tax – Corporate	684,700,740	670,409,796	590,676,110	797,255,429	943,806,441
Sales and Use Tax – General	4,864,691,463	5,080,776,730	5,303,524,233	5,277,211,183	5,125,501,785
Motor Fuel	854,359,788	932,702,991	1,019,300,802	1,000,625,732	1,006,493,364
Tobacco Taxes	227,180,405	228,858,070	227,146,091	211,618,073	216,640,134
Alcoholic Beverages Tax	169,019,330	161,803,418	175,050,571	180,785,957	181,874,583
Estate Tax	0	0	27,923	(15,351,947)	0
Property Tax	86,228,331	76,704,325	68,951,095	53,491,655	38,856,854
Title Ad Valorem Tax					741,933,576
Net Taxes: Other Organizations					
Insurance Premium Tax	274,367,273	360,669,593	309,192,735	329,236,920	372,121,805
Motor Vehicle License Tax	282,515,540	298,868,209	308,342,308	457,490,366	337,455,825
Total Net Taxes	14,459,475,041	15,469,575,458	16,144,582,369	17,064,590,773	17,930,256,787
Interest, Fees and Sales -					
Department of Revenue	132,282,145	224,083,020	244,372,037	288,781,506	325,419,014
Office of State Treasurer - Interest on Deposits	8,157,741	-70,422	6,913,651	3,644,434	2,958,365
Behavioral Health	5,856,093	5,634,937	4,571,175	3,616,363	3,017,554
Driver Services	40,600,978	57,487,315	58,417,440	57,757,270	57,549,778
Natural Resources	49,221,174	44,969,509	45,053,302	42,518,506	44,181,240
Secretary of State	68,244,049	81,479,049	85,174,697	79,616,756	81,693,371
Labor	28,354,875	29,077,607	29,896,747	25,518,209	26,334,786
Public Health				11,196,064	11,042,775
Human Services	8,955,806	7,942.374	7,850,965	5,569,741	3,744,711
Banking and Finance	21,428,925	20,158,138	21,362,614	21,500,505	20,941,029
Corrections	13,435,899	15,013,036	15,289,299	14,440,421	13,782,279
Workers' Compensation	18,930,132	21,078,738	20,314,485	20,967,938	21,717,715
Public Service Commission	1,499,311	1,123,038	1,219,515	1,185,784	772,127
Nursing Home Provider Fees	126,449,238	128,771,295	132,393,274	176,864,128	169,521,312
Care Management Organization Fees	42,232,458	297,276	718,946		
Hospital Provider Payments		215,079,822	225,259,561	232,080,023	237,978,451
Driver Services Super Speeder Fine	2,046,905	14,161,809	18,391,393	18,593,040	20,394,462
Indigent Defense Fees	44,598,499	42,426,463	41,720,648	41,221,700	40,099,349
Peace Officers' and Prosecutors' Training Funds	26,555,179	25,547,136	25,276,638	22,542,417	24,698,552
All Other	117,466,338	154,811,930	141,196,718	163,653,012	131,702,985
Total Interest, Fees & Sales	756,315,745	1,089,072,069	1,125,393,105	1,231,267,815	1,237,549,854
Total State General Funds	15,215,790,786	16,558,647,527	17,269,975,474	18,295,858,588	19,167,806,641
Lottery Funds	886,375,726	847,049,832	903,224,565	929,142,038	946,977,108
Tobacco Settlement Funds	146,673,654	138,450,703	141,139,300	212,792,063	139,892,084
Guaranteed Revenue Debt Common Reserve Fund Interest Earnings	333,632	265,380	119,758	133,736	98,713
National Mortgage Settlement				99,365,105	
Brain and Spinal Injury Trust Fund	2,066,389	1,960,848	2,333,708	2,396,580	1,988,502
Other	4,236	1,803	4,243	2,948	2,446
Total State Treasury Receipts	**16,251,244,423**	**17,546,376,094**	**18,316,797,048**	**19,539,691,058**	**20,256,765,495**
Funds Transferred from State Organizations	98,959,391	93,273,955	65,134,019	45,305,655	26,399,690
GEFA Loan Sale		288,000,000			
Mid-Year Adjustment–Education Reserve	167,666,618	152,157,908	165,586,475	172,699,755	182,958,586
Appropriation of Revenue Shortfall Reserve[a]	258,597,684	-	-	-	-
TOTAL STATE FUNDS[b]	$16,776,468,116	$18,079,807,957	$18,547,517,542	$19,757,696,468	$20,466,123,771

(a) FY 2010 Appropriation of Revenue Shortfall Reserve was the amount budgeted.
(b) Formerly this description was TOTAL FUNDS AVAILABLE; description revised effective with this Official Statement.
Note: Amounts may not add precisely due to rounding.
Source: State Accounting Office

Georgia Revenues
Amended FY 2015 Budget and Enacted FY 2016 Budget

The following table sets forth projected budget-based State revenues available for appropriation for the adopted Amended FY 2015 Budget and the Enacted FY 2016 Budget.

State General Funds	**Amended FY 2015**	**Enacted FY 2016**
Net Taxes: Department of Revenue		
Income Tax - Individual	$9,364,418,000	$9,884,056,193
Income Tax - Corporate	954,636,000	995,534,000
Sales and Use Tax-General	5,340,192,000	5,593,609,000
Motor Fuel	992,162,800	998,184,000
Tobacco Taxes	212,635,000	208,933,900
Alcoholic Beverages Tax	186,149,200	190,315,500
Property Tax	19,000,000	7,000,000
Title Ad Valorem Tax	779,918,901	805,362,430
Net Taxes: Other Organizations		
Insurance Premium Tax	381,564,200	389,055,000
Motor Vehicle License Tax	342,830,400	347,238,700
Total Net Taxes	18,573,506,501	19,419,288,723
Interest, Fees and Sales - Dept. of Revenue	328,223,094	337,030,995
Office of State Treasurer - Interest on Deposits	2,958,365	2,958,365
Other Fees and Sales:		
Banking and Finance	19,800,000	19,871,000
Behavioral Health	2,300,000	2,100,000
Corrections	14,200,000	14,200,000
Human Services	3,200,000	2,750,000
Labor	25,550,000	25,650,000
Natural Resources	42,500,000	44,000,000
Public Health	13,832,550	14,802,000
Public Service Commission	900,000	900,000
Secretary of State	71,813,000	72,584,000
Workers' Compensation	23,130,000	22,024,573
Driver Services	48,000,000	62,000,000
Driver Services Super Speeder Fine	20,000,000	20,000,000
Nursing Home Provider Fees	167,969,114	167,969,114
Hospital Provider Payment	261,400,702	272,255,461
Indigent Defense Fees	40,300,000	40,300,000
Peace Officers' & Prosecutors' Training Funds	24,800,000	24,800,000
All Other Departments	129,383,374	127,159,450
Total Interest Fees and Sales	1,240,260,199	1,273,354,958
Total State General Funds	19,813,766,700	20,692,643,681
Lottery Funds	947,948,052	977,772,176
Tobacco Settlement Funds	142,366,772	140,814,002
Brain and Spinal Injury Trust Fund	1,784,064	1,458,567
Total State Treasury Receipts	**20,905,865,588**	**21,812,688,426**
Other Funds Available for Expenditure:		
Funds Transferred from State Organizations	15,362,442	15,291,081
Mid-year Adjustment Reserve	191,678,066	0
TOTAL STATE FUNDS[a]	$21,112,906,096	$21,827,979,507

(a) Formerly this description was TOTAL FUNDS AVAILABLE; description revised effective with this Official Statement.

Source: Governor's Office of Planning and Budget

Five Year History

The following table sets forth, by category, the State Treasury Receipts available for appropriation for the period FY 2010 through FY 2014.

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Alcoholic Beverages Tax	$169,019,330	$161,803,418	$175,050,571	$180,785,957	$181,874,583
Estate Tax	0	0	27,923	(15,351,947)	0
Income Tax – Corporate	684,700,740	670,409,796	590,676,110	797,255,429	943,806,441
Income Tax – Individual	7,016,412,171	7,658,782,326	8,142,370,500	8,772,227,404	8,965,572,421
Insurance Premium Tax and Fees	274,367,273	360,669,593	309,192,735	329,236,920	372,121,805
Excise and Motor Carrier Mileage Tax	469,117,616	452,197,063	446,655,687	453,438,505	437,637,790
Prepaid Motor Fuel Sales Tax	385,242,172	480,505,928	572,645,116	547,187,226	568,855,574
Motor Vehicle License Tax	282,515,540	298,868,209	308,342,308	457,490,366	337,455,825
Property Tax – General and Intangible	86,228,331	76,704,325	68,951,095	53,491,655	38,856,854
Sales and Use Tax – General	4,864,691,463	5,080,776,730	5,303,524,233	5,277,211,183	5,125,501,785
Title Ad Valorem Tax					741,933,576
Tobacco Products Tax	227,180,405	228,858,070	227,146,091	211,618,073	216,640,134
Total Taxes	14,459,475,041	15,469,575,458	16,144,582,369	17,064,590,773	17,930,256,787
Total Interest, Reg. Fees, and Sales	756,315,745	1,089,072,069	1,125,393,105	1,231,267,815	1,237,549,854
Total State General Funds	15,215,790,786	16,558,647,527	17,269,975,474	18,295,858,588	19,167,806,641
Total Other Revenues Retained (a)	1,035,453,637	987,728,567	1,046,821,574	1,243,832,470	1,088,958,854
Total State Treasury Receipts	$16,251,244,423	$17,546,376,094	$18,316,797,048	$19,539,691,058	$20,256,765,495

(a) Other Revenues Retained includes Lottery Funds, Tobacco Settlement Funds, Guaranteed Revenue Debt Common Reserve Fund Interest Earnings, Brain and Spinal Injury Trust Fund, National Mortgage Settlement (FY 2013 only) and Other amounts.
Note: Amounts may not add precisely due to rounding.
Source: FY 2010 – 2014 Budgetary Compliance Report

Changes in State Treasury Receipts – FY 2013 to FY 2014

The following table sets forth, by category, the changes in budget-based revenue available for appropriation for FY 2014 as compared to FY 2013.

	FY 2013	FY 2014	$ Change	% Change
Alcoholic Beverages Tax	$180,785,957	$181,874,583	$1,088,626	0.60%
Estate Tax	-15,351,947	0	15,351,947	100.00%
Income Tax – Corporate	797,255,429	943,806,441	146,551,012	18.38%
Income Tax – Individual	8,772,227,404	8,965,572,421	193,345,017	2.20%
Insurance Premium Tax and Fees	329,236,920	372,121,805	42,884,885	13.03%
Excise and Motor Carrier Mileage Tax	453,438,505	437,637,790	(15,800,715)	-3.48%
Prepaid Motor Fuel Sales Tax	547,187,226	568,855,574	21,668,348	3.96%
Motor Vehicle License Tax	457,490,366	337,455,825	(120,034,541)	-26.24%
Property Tax – General and Intangible	53,491,655	38,856,854	(14,634,801)	-27.36%
Sales and Use Tax – General	5,277,211,183	5,125,501,785	(151,709,398)	-2.87%
Title Ad Valorem Tax		741,933,576	741,933,576	NA
Tobacco Products Tax	211,618,073	216,640,134	5,022,061	2.37%
Total Taxes	17,064,590,773	17,930,256,787	865,666,014	5.07%
Total Interest, Regulatory Fees, and Sales	1,231,267,815	1,237,549,854	6,282,039	0.51%
Total State General Funds	18,295,858,588	19,167,806,641	871,948,053	4.77%
Total Other Revenues Retained	1,243,832,470	1,088,958,854	(154,873,616)	-12.45%
Total State Treasury Receipts	$19,539,691,058	$20,256,765,495	$717,074,437	3.67%

Note: Amounts may not add precisely due to rounding.
Source: State Accounting Office

Summary of Appropriation Allotments

The following table summarizes the appropriation allotment amounts to various areas of State government for the five fiscal years FY 2010 through FY 2014.

	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Education	$9,635,314,679	$10,372,130,365	$9,985,262,716	$10,337,921,348	$10,747,131,836
Public Health and Welfare	3,331,751,012	3,506,185,744	4,132,143,031	4,561,952,241	4,628,454,661
Transportation	696,481,476	682,500,519	755,702,058	866,764,685	875,808,645
Judicial, Penal and Corrections	1,416,224,093	1,440,130,535	1,583,762,746	1,630,095,700	1,649,003,797
Natural Resources	159,829,852	146,441,378	149,564,635	162,022,641	165,703,469
General Obligation Debt Sinking Fund	1,040,947,805	1,182,283,016	931,171,587	950,274,605	1,170,767,561
General Government	726,324,308	721,991,027	806,046,413	814,804,214	976,684,297
Total Allotments	$17,006,873,225	$18,051,662,584	$18,343,653,186	$19,323,835,434	$20,213,554,266

Source: Governor's Office of Planning and Budget

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Georgia Department of Revenue – Unaudited State Revenues

The following table ($ in thousands) sets forth unaudited net revenue collections by the Department of Revenue in certain categories for the first ten months (July 1 through April 30) of FY 2014 and FY 2015. There are various other revenues of the State that are collected by other State agencies and remitted to the Office of the State Treasurer which are not listed below.

	FY 2014	FY 2015	Change	% Change
Tax Revenues:				
Income Tax – Individual	$7,405,724	$8,056,903	$651,179	8.8%
Sales and Use Tax – General:				
Sales and Use Tax – Gross	8,174,994	8,635,392	460,398	5.6%
Local Sales Tax Distribution[(a)]	(3,818,523)	(4,023,536)	(205,013)	-5.4%
Sales Tax Refunds/Adjustments	(63,627)	(74,834)	(11,206)	-17.6%
Net Sales and Use Tax – General	4,292,844	4,537,022	244,178	5.7%
Motor Fuel Taxes:				
Prepaid Motor Fuel Sales Tax	467,638	467,175	(462)	-0.1%
Motor Fuel Excise Tax	366,913	378,414	11,501	3.1%
Total Motor Fuel Taxes	834,551	845,589	11,039	1.3%
Income Tax – Corporate	735,823	777,225	41,402	5.6%
Tobacco Taxes	179,094	176,250	(2,844)	-1.6%
Alcohol Beverages Tax	145,900	152,054	6,154	4.2%
Estate Tax	-	-	-	-
Property Tax	37,210	26,154	(11,056)	-29.7%
Motor Vehicle – Tag, Title & Fees	879,928	955,496	75,568	8.6%
Total Tax Revenues	14,511,075	15,526,693	1,015,618	7.0%
Other Revenues:				
Other Fees and Taxes[(b)]	220,092	251,279	31,187	14.2%
Total Taxes and Other Revenues	$14,731,167	$15,777,972	$1,046,805	7.1%

(a) The Local Distribution is adjusted with an accrual to reflect payment activity that occurs after the actual distribution (3 business days prior to the end of a month).
(b) "Other Fees and Taxes" include payments that have been deposited in the bank, but for which returns may not yet have been processed. These undistributed amounts are then re-classified (once the return is processed) to the appropriate tax revenue account. "Other Fees" also includes Unclaimed Property collections.

Note: Amounts may not add precisely due to rounding.
Source: State of Georgia Department of Revenue

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Monthly Cash Investments

The following table ($ in millions) sets forth the month ending cash investments of State fund balances in the State Treasury for FY 2010 through the first ten months of FY 2015.

Month	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
July	$1,779	$1,661	$2,050	$2,370	$2,766	$3,156
August	1,753	2,037	2,218	2,505	2,771	3,224
September	2,006	2,188	2,437	2,748	3,200	3,504
October	1,613	1,676	2,046	2,300	2,823	3,051
November	1,809	1,686	1,912	2,217	2,802	2,850
December	1,902	1,876	2,092	2,451	2,993	3,214
January	2,165	2,255	2,413	2,817	3,414	3,650
February	1,482	1,800	1,979	2,243	2,835	3,039
March	1,201	1,630	1,866	2,206	2,799	3,027
April	1,329	1,945	2,234	2,722	3,115	3,561
May	1,367	1,917	2,175	2,669	3,025	
June	1,786	2,412	2,594	2,909	3,433	

Note: Balances (i) exclude investments in the Lottery for Education Reserve, Brain and Spinal Injury Trust Fund, Guaranteed Revenue Debt Common Reserve, unspent bond funds including any unspent general obligation bond funds, and previously drawn allotment balances held in state agency accounts, and (ii) include certain state agency funds invested by the Treasury for and on behalf of the state agencies, such as Georgia Department of Transportation funds, which state agency funds may not be readily available for use by Treasury. In any given month, the amount available for use by Treasury may be significantly less than the amount reflected.
Source: Office of State Treasurer

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RETIREMENT SYSTEMS, OTHER POST-EMPLOYMENT BENEFIT PLANS AND EMPLOYEE HEALTH BENEFIT PLANS

Retirement Systems

Introduction. The State administers various retirement plans under two major retirement systems: the Employees' Retirement System of Georgia ("ERS"), which administers multiple retirement plans for various employer entities of the State, and the Teachers Retirement System of Georgia ("TRS"), which administers a retirement plan for teachers in State public schools, the University System of Georgia and certain other employees in legislatively designated educational agencies. The ERS and TRS are referred to herein, collectively, as the "Systems." The ERS retirement plan for State employees in the executive branch is the most significant of the defined benefit pension plans operated by ERS. Statistical information included herein regarding ERS is limited to the plan for State employees in the executive branch. As of June 30, 2014, TRS and the ERS retirement plan for State employees in the executive branch comprise approximately 96.3% of the net assets of the State's 15 defined benefit pension plans. For additional information on these two retirement plans (as well as four significantly smaller plans), including details regarding benefit eligibility, benefit formula and employee contributions rates, see Note 15, "Retirement Systems," in APPENDIX B hereto. The retirement plans are subject to the provisions of Title 47 of Official Code of Georgia in general and Chapter 2 (ERS) and Chapter 3 (TRS) thereof, in particular. The retirement plans administered by the Systems are the subject of annual actuarial valuations. In the opinion of the actuary for the Systems, as of June 30, 2014, each of ERS and TRS are operating on an actuarially sound basis and in conformity with minimum funding standards of Georgia law.

According to the most recent actuarial valuation of ERS, as of June 30, 2014, the funded ratio (actuarial value of assets / actuarial accrued liability) was equal to 72.8% (as compared to 71.4% as of June 30, 2013) and the unfunded actuarial accrued liability ("UAAL") as a percentage of covered payroll was equal to 199.3% (as compared to 207.8% as of June 30, 2013). According to the most recent actuarial valuation of TRS, as of June 30, 2014, the funded ratio was equal to 81.9% (as compared to 81.1% as of June 30, 2013) and the UAAL as a percentage of covered payroll was equal to 137.2% (as compared to 137.3% as of June 30, 2013). The slight improvement in the funded ratio for both ERS and TRS is principally attributable to actual investment earnings exceeding assumed earnings for FY 2014. ERS and TRS each received 100% of its respective Actuarially Determined Employer Contribution ("ADEC") for FY 2013 and FY 2014. For both FY 2015 and FY 2016, both the ERS and the TRS ADEC payments are budgeted at 100%. ADEC payments are funded from a variety of sources, including State general fund appropriations, as well as federal, local and other sources.

The pension disclosures rely on information produced by the pension plans and their independent accountants and actuaries. Actuarial assessments are "forward-looking" valuation estimates that reflect the judgment of the fiduciaries of the retirement plans. Actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inconsistent with subsequent events or be changed in the future, and will change with the future experience of the retirement plans.

Statutory Requirements Regarding Benefit Changes with Fiscal Impacts. Pursuant to O.C.G.A § 47-20-34, any retirement bill having a fiscal impact may only be introduced in the first term of the regular biennial session of the General Assembly. If a majority of the standing retirement committee in the House or the Senate wishes to consider the bill further and votes in favor of an actuarial investigation of the bill, an actuarial investigation shall be required. O.C.G.A. § 47-20-34 also requires that any such retirement bill may be passed during the second year of the regular biennial session. Pursuant to O.C.G.A. § 47-20-50, any retirement bill having a fiscal impact which is enacted by the General Assembly and which is approved by the Governor or which otherwise becomes law shall become effective on the first day of

July immediately following the regular session during which it was enacted, but only if the enacted bill is concurrently funded. If an enacted bill, including one approved by the Governor, is not certified by the State Auditor to be concurrently funded, then such bill may not become effective as law and shall be null, void, and of no force and effect and shall stand repealed in its entirety on the first day of July immediately following its enactment.

System Membership and Beneficiary Information. ERS was created in 1949 by an act of the General Assembly to provide benefits for employees of the State and is managed by a seven-member Board of Trustees (the "ERS Board") comprised of the State Auditor (ex-officio), the State Treasurer (ex-officio), the Commissioner of the Department of Administrative Services (ex-officio), one appointee of the Governor and three appointees of the ERS Board. TRS was created in 1943 by an act of the General Assembly to provide benefits for qualifying teachers and is managed by a ten-member Board of Trustees (the "TRS Board") comprised of the State Auditor (ex-officio), the State Treasurer (ex-officio), five appointees of the Governor, two appointees of the TRS Board and one appointee of the Board of Regents. The ERS and TRS plans are cost-sharing multiple employer defined benefit plans. The ERS plan for State employees consists of 425 employers, of which 424 are not in the State reporting entity. TRS consists of 294 employers, of which 293 are not in the State reporting entity. Membership in the plans as of June 30, 2014 is shown below.

	ERS	TRS
Retirees and beneficiaries currently receiving benefits	45,819	108,100
Terminated employees entitled to benefits, but not yet receiving benefits, vested	5,603	9,857
Terminated employees, non-vested	76,018	84,892
Active plan members	60,490	209,855
Total	187,930	412,704

Sources: ERS and TRS Audited Financial Statements

According to the ERS audited financial statements as of June 30, 2014, ERS receipts (consisting of member and employer contributions and net investment earnings for the year) totaled $2,483,923,000 (compared to $1,893,796,000 for the year ended June 30, 2013) and ERS disbursements (consisting of benefit payments, member refunds and administrative expenses for the year) totaled $1,322,195,000 (compared to $1,289,480,000 for the year ended June 30, 2013). According to the TRS audited financial statements as of June 30, 2014, TRS receipts (consisting of member and employer contributions, net investment earnings and unrealized appreciation for the year) totaled $11,737,826,000 (compared to $8,759,563,000 for the year ended June 30, 2013) and TRS disbursements (consisting of benefit payments, member refunds and administrative expenses for the year) totaled $3,866,572,000 (compared to $3,651,875,000 for the year ended June 30, 2013).

Not all of the employers that comprise TRS participate in the Federal Social Security System (SSA) as certain of such employers have decided in the past not to join SSA. Most of these employers created 403(b)-type retirement plans for their employees in lieu of joining SSA. Since this decision not to join SSA was made at the local employer level, it has no bearing on the State or TRS.

Obligations and Funded Status. For financial reporting purposes, the State presents the funded status for each of the retirement plans "as a whole" using a smoothing method to calculate each retirement plan's actuarial value of assets ("AVA"). Under this method, changes in the market value of assets ("MVA") are recognized over a period of years. Prior to the State fiscal year ended June 30, 2006 ("FY 2006") actuarial valuation report, the State used a 5-year smoothing period. Commencing with the FY 2006 actuarial valuation report, the State has used a 7-year smoothing period. The funded status of ERS and TRS for the ten most recent actuarial valuation dates is presented in the following table. The actuarial valuations for TRS shown below for valuation years 2009 through 2012 reflect the TRS Board action on July 27, 2011 to use a 7-year smoothing method within a corridor of between 75% and 125% of the MVA around the AVA. The actuarial valuations for ERS and TRS as of June 30, 2013 and June 30, 2014 shown below reflect the funding policies adopted by the ERS Board and TRS Board to set the actuarial value of assets equal to the market value of assets as of June 30, 2013 and to use a 5-year smoothing method in subsequent years. TRS uses a corridor of between 75% and 125% of the MVA around the AVA. For a more detailed explanation, see "Actuarial Methods and Assumptions" below. The retirement plans are the subject of five-year experience studies by actuarial firms and various assumptions and methods have been revised to reflect the results of such studies. The most recent experience study was completed for the five-year period ending June 30, 2009.

Historical Funding Progress
(Actuarial Value (Smoothed)
($ in thousands)

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2014	$12,376,120	$16,991,963	$4,615,843	72.8%	$2,315,625	199.3%
6/30/2013	12,129,804[a]	16,982,449	4,852,645	71.4	2,335,773	207.8
6/30/2012	12,260,595	16,777,922	4,517,327	73.1	2,414,884	187.1
6/30/2011	12,667,557	16,656,905	3,989,348	76.0	2,486,780	160.4
6/30/2010	13,046,193	16,295,352	3,249,159	80.1	2,571,042	126.4
6/30/2009	13,613,606	15,878,022	2,264,416	85.7	2,674,155	84.7
6/30/2008	14,017,346	15,680,857	1,663,511	89.4	2,809,199	59.2
6/30/2007	13,843,689	14,885,179	1,041,490	93.0	2,680,972	38.8
6/30/2006	13,461,132	14,242,845	781,713	94.5	2,630,167	29.7
6/30/2005	13,134,472	13,512,773	378,301	97.2	2,514,430	15.0
TRS						
6/30/2014	$62,061,722	$75,772,117	$13,710,395	81.9%	$9,993,686	137.2%
6/30/2013	58,594,837[b]	72,220,865	13,626,028	81.1	9,924,682	137.3
6/30/2012	56,262,332	68,348,678	12,086,346	82.3	10,036,023	120.4
6/30/2011	55,427,716	65,978,640	10,550,924	84.0	10,099,278	104.5
6/30/2010	54,529,416	63,592,037	9,062,621	85.7	10,437,703	86.8
6/30/2009	53,438,604	59,450,116	6,011,512	89.9	10,641,543	56.5
6/30/2008	54,354,284	59,133,777	4,779,493	91.9	10,197,584	46.9
6/30/2007	52,099,171	54,996,570	2,897,399	94.7	9,482,003	30.5
6/30/2006	49,263,027	51,059,681	1,796,654	96.5	8,785,985	20.4
6/30/2005	46,836,895	47,811,214	974,319	98.0	8,252,598	11.8

[a] Setting the AVA to equal the MVA as of June 30, 2013 as described under the heading "Actuarial Methods and Assumptions" below, resulted in a net increase of the AVA of approximately $128.3 million as of June 30, 2013. Absent such action, the AVA as of June 30, 2013 would have been approximately $12.002 billion and the funded ratio as of June 30, 2013 would have been 70.67%.

[b] Setting the AVA to equal the MVA as of June 30, 2013 as described under the heading "Actuarial Methods and Assumptions" below, resulted in a net increase of the AVA of approximately $926.7 million as of June 30, 2013. Absent such action, the AVA as of June 30, 2013 would have been approximately $57.668 billion and the funded ratio as of June 30, 2013 would have been 79.85%.

Sources: ERS and TRS actuarial reports.

For comparative purposes, the funded status of the ERS and TRS plans for the ten most recent actuarial valuation dates, using the MVA instead of the AVA, is presented in the following table.

Historical Funding Progress
Market Value
($ in thousands)

Valuation Date	Market Value of Assets (MVA)	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL) (MVA – AAL)	Funded Ratio (MVA / AAL)	Annual Covered Payroll	UAAL as % of Annual Covered Payroll
ERS						
6/30/2014	$13,291,531	$16,991,963	$3,700,432	78.2%	$2,315,625	159.8%
6/30/2013	12,129,804	16,982,449	4,852,645	71.4	2,335,773	207.8
6/30/2012	11,537,408	16,777,922	5,240,514	68.8	2,414,884	217.0
6/30/2011	12,233,380	16,656,905	4,423,525	73.4	2,486,780	177.9
6/30/2010	10,872,348	16,295,352	5,423,004	66.7	2,571,042	210.9
6/30/2009	10,550,357	15,878,022	5,327,665	66.4	2,674,155	199.2
6/30/2008	13,080,653	15,680,857	2,600,204	83.4	2,809,199	92.6
6/30/2007	14,272,114	14,885,179	613,065	95.9	2,680,972	22.9
6/30/2006	13,033,861	14,242,845	1,208,984	91.5	2,630,167	46.0
6/30/2005	12,825,126	13,512,773	687,647	94.9	2,514,430	27.3
TRS						
6/30/2014	$66,466,091	$75,772,117	$9,306,026	87.7%	$9,993,686	93.1%
6/30/2013	58,594,837	72,220,865	13,626,028	81.1	9,924,682	137.3
6/30/2012	53,487,149	68,348,678	14,861,529	78.3	10,036,023	148.1
6/30/2011	54,084,176	65,978,640	11,894,464	82.0	10,099,278	117.8
6/30/2010	45,925,549	63,592,037	17,666,488	72.2	10,437,703	169.3
6/30/2009	42,478,583	59,450,116	16,971,533	71.5	10,641,543	159.5
6/30/2008	50,063,600	59,133,777	9,070,177	84.7	10,197,584	88.9
6/30/2007	53,133,101	54,996,570	1,863,469	96.6	9,482,003	19.7
6/30/2006	47,246,347	51,059,681	3,813,334	92.5	8,785,985	43.4
6/30/2005	45,278,680	47,811,214	2,532,534	94.7	8,252,598	30.7

Sources: ERS and TRS actuarial reports. Underlying actuarial data was used for purposes of percentage calculations.

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The following table presents a comparison of the AVA to the MVA, the ratio of the AVA to the MVA and the funded ratio based on AVA compared to funded ratio based on MVA.

Funding Progress Comparison
($ in thousands)

Valuation Date	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)	% of AVA to MVA	Funded Ratio (AVA)	Funded Ratio (MVA)
ERS					
6/30/2014	$12,376,120	$13,291,531	93.1%	72.8%	78.2%
6/30/2013	12,129,804[a]	12,129,804[a]	100.0	71.4	71.4
6/30/2012	12,260,595	11,537,408	106.3	73.1	68.8
6/30/2011	12,667,557	12,233,380	103.5	76.0	73.4
6/30/2010	13,046,193	10,872,348	120.0	80.1	66.7
6/30/2009	13,613,606	10,550,357	129.0	85.7	66.4
6/30/2008	14,017,346	13,080,653	107.2	89.4	83.4
6/30/2007	13,843,689	14,272,114	97.0	93.0	95.9
6/30/2006	13,461,132	13,033,861	103.3	94.5	91.5
6/30/2005	13,134,472	12,825,126	102.4	97.2	94.9
TRS					
6/30/2014	$62,061,722	$66,466,091	93.4%	81.9%	87.7%
6/30/2013	58,594,837[b]	58,594,837[b]	100.0	81.1	81.1
6/30/2012	56,262,332	53,487,149	105.2	82.3	78.3
6/30/2011	55,427,716	54,084,176	102.5	84.0	82.0
6/30/2010	54,529,416	45,925,549	118.7	85.7	72.2
6/30/2009	53,438,604	42,478,583	125.8	89.9	71.5
6/30/2008	54,354,284	50,063,600	108.6	91.9	84.7
6/30/2007	52,099,171	53,133,101	98.1	94.7	96.6
6/30/2006	49,263,027	47,246,347	104.3	96.5	92.5
6/30/2005	46,836,895	45,278,680	103.4	98.0	94.7

[a] Setting the AVA to equal the MVA as of June 30, 2013 as described under the heading "Actuarial Methods and Assumptions" below, resulted in a net increase of the AVA of approximately $128.3 million as of June 30, 2013. Absent such action, the AVA as of June 30, 2013 would have been approximately $12.002 billion and the funded ratio as of June 30, 2013 would have been 70.67%.

[b] Setting the AVA to equal the MVA as of June 30, 2013 as described under the heading "Actuarial Methods and Assumptions" below, resulted in a net increase of the AVA of approximately $926.7 million as of June 30, 2013. Absent such action, the AVA as of June 30, 2013 would have been approximately $57.668 billion and the funded ratio as of June 30, 2013 would have been 79.85%.

Sources: ERS and TRS actuarial reports. Underlying actuarial data was used for purposes of percentage calculations.

Financial Reporting of Net Pension Liability. ERS and TRS implemented GASB Statement No. 67 in their Comprehensive Annual Financial Statements for the fiscal year ended June 30, 2014. For additional information, refer to Note 15, "Retirement Systems," in APPENDIX B hereto. Statement No. 67 superseded previous guidance for the financial reports of pension plans by, among other things, requiring additional disclosure in the notes to financial statements and in required supplementary information; it also provides guidance regarding the calculation of the net pension liability (NPL) as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service, using new parameters) and the fiduciary net position (consisting mostly of investments reflected at fair value). These disclosures are accounting standards, not funding standards, and do not change the actuarial methods or assumptions that ERS and TRS use for their actuarial valuations to determine the funding status of the plans.

Net Pension Liability
($ in thousands)

Fiscal Year	Fiduciary Net Position (FNP)	Total Pension Liability (TPL)	Net Pension Liability (NPL)	Fiduciary Net Position as Percentage of Total Pension Liability (FNP/TPL)	Covered Employee Payroll	NPL as % of Annual Covered Payroll
ERS						
6/30/2014	$13,291,531	$17,042,149	$3,750,618	78.0%	$2,315,625	162.0%
6/30/2013 [a]	12,129,804	16,982,449	4,852,645	71.4	2,335,773	207.8
TRS						
6/30/2014	$66,466,091	$79,099,772	$12,633,681	84.0%	$10,349,862	122.1%
6/30/2013 [a]	58,594,837	76,019,717	17,424,880	77.1	10,345,916	168.4

[a] Since GASB Statement No. 67 was not effective for FY 2013, the FY 2013 audited financial statement and the actuary's report GASB Statement No. 67 Report as of June 30, 2014 were used to report the FY 2013 information.

Sources: ERS and TRS audited financial statements.

Investment Fund Management. ERS and TRS are governed by Boards of Trustees with broad statutory powers including the power to invest and reinvest the assets of ERS and TRS, respectively. The investment functions of the Systems are vested in these Boards as set forth in Georgia law (O.C.G.A. § 47-2-31 and § 47-3-27). Each Board of Trustees elects an Investment Committee as set forth in the By-Laws of the said Board of Trustees. Investments for ERS and TRS are under the day-to-day management of the Division of Investment Services ("DIS"). In the domestic equity portion of the fund, the DIS utilizes different styles of management. Passive (index based) management is utilized as a low cost, low benchmark risk strategy for a core portion of the equity assets. Active management of the common stock portfolio is based on the belief that active management can enhance returns to the fund while maintaining the same conservative investment policy which is the guiding principle behind the investment of all of the System's assets. The DIS also employs investment advisory firms to assist in common stock management. Each such advisory firm is evaluated on both qualitative and quantitative criteria. As a minimum, an advisory firm must meet the following criteria:

1. Advisory firms shall have a five-year composite performance record that complies with AIMR-PPS or its successor organization and standards.

2. Assets under management of at least three billion dollars except assets under management shall be at least $750 million for small or mid-capitalization advisory firms.

3. In all cases, the portfolio of either ERS or TRS allocated to the advisory firm shall not exceed 25% of the advisory firm's total assets under management. Additionally, the combined assets of ERS and TRS allocated to the advisory firm shall not exceed 35% of the advisory firm's total assets under management.

4. In choosing advisory firms, the credentials of the advisory firm shall be considered including consideration of the number of CFAs, the performance record of the firm, and the stability of the advisory firm's personnel.

5. Advisory firms shall respond promptly to queries offered by the DIS. Advisory firms are subject to the related procedures and reporting promulgated by the DIS.

6. In the event that two advisory firms are equally capable, an advisory firm with an office located in the State will be given preference.

The DIS maintains a "Master Approved List of Common Stocks" eligible for investment of pension funds. The Master Approved List contains a current list of companies which are considered to meet a level of risk and potential return suitable for the Systems. DIS undertakes an ongoing analysis of issuers of common stock and adds or removes companies from the Master Approved list based upon a variety of screening criteria. The Master Approved List assists the Investment Committee in its approval process by providing a population of eligible companies which have been thoroughly screened by DIS research analysts.

The Investment Committee reviews asset allocation decisions and the equity portfolio mix on a yearly basis. There may, however, be interim allocation decisions due to market or other conditions when rebalancing is necessary. The Investment Committee has authorized the Chief Investment Officer and the Co-Chief Investment Officers to move up to 2% of the market value of the respective portfolios among asset classes between Investment Committee meetings.

Asset Allocation. Permissible investments of the Systems are set forth in the Public Retirement Systems Investment Authority Law (O.C.G.A. § 47-20-80 through O.C.G.A. § 47-20-86). In accordance with O.C.G.A. § 47-20-84, the investment assets of the Systems are prohibited from being allocated more than 75% to equity securities (effective July 1, 2011). The cost of investments is computed using the original cost of equity securities and the amortized cost of bonds, which means that premiums and discounts are recognized totally over the life of the bonds.

The ERS and TRS Boards maintain investment policies which incorporate statutory requirements. A "General Statement of Investment Policy" was amended by the ERS and TRS Boards with an effective date of July 1, 2011. Amendments to the policy were based on the need to align the policy with statutory requirements. Accordingly, current policy is to maintain equity exposure on a cost basis between 55% and 75% and fixed income between 25% and 45%.

Fixed-income investments include both bonds and mortgages of various types selected on the basis of return, quality, marketability, and overall suitability to the System's portfolio. Equity investments include both domestic and international equities and allow for maximization of total return. Real estate assets of the Systems are limited and restricted by law solely to any structure occupied by the System and to real property acquired through judicial foreclosure of mortgage loans owned and held by such System at time of foreclosure, or by any other judicial or court action that assigns ownership of real property to the System. It is the policy of each System to make every effort to sell or otherwise dispose of all such property except that of any structure occupied by such System within five years of date of acquisition. Effective July 1, 2012, ERS is permitted to invest in alternative investment instruments, such as private placements and private placement investment pools, as described in and permitted by O.C.G.A. § 47-20-87; provided, however, that such alternative investments shall not in the aggregate exceed 5% of the assets of ERS at any time. Investment in alternative investment instruments is not authorized for TRS.

The following table presents the annualized rates of return (net of fees) of ERS and TRS through FY 2014.

Historical Rates of Return

	ERS	TRS
1 year	17.29%	17.17%
3 years	10.75	10.69
5 years	12.83	12.81
10 years	7.26	7.24
20 years	8.71	8.78

Source: Division of Investment Services, ERS and TRS.

The following table presents a comparison of the assumed investment rate of return for each of ERS and TRS and the actual investment rate of return for each of ERS and TRS for the last ten years.

Historical Rates of Return

	ERS		**TRS**	
	Assumed	Actual	Assumed	Actual
FY 2014	7.50%	17.29%	7.50%	17.17%
FY 2013	7.50	13.33	7.50	13.28
FY 2012	7.50	2.19	7.50	2.16
FY 2011	7.50	21.29	7.50	21.27
FY 2010	7.50	10.99	7.50	11.09
FY 2009	7.50	-12.97	7.50	-13.06
FY 2008	7.50	-3.50	7.50	-3.38
FY 2007	7.50	14.72	7.50	14.61
FY 2006	7.50	6.17	7.50	6.05
FY 2005	7.50	7.77	7.50	7.87

Source: Division of Investment Services, ERS and TRS.

Status of Actuarially Determined Employer Contribution. ERS is a multi-employer plan; however, State general fund appropriations are the source for the majority of the ADEC payments. According to O.C.G.A. § 47-2-55, ADEC payments for ERS are borne by appropriations from State and federal funds. O.C.G.A. § 47-2-57 specifies that, on or before June 1 of each year, the normal cost and unfunded accrued liability contribution rates, determined based on the last annual actuarial valuation, are to be certified by the ERS Board to each employer. Each employer is required to make provision in its annual budget for funds with which to pay to the ERS an amount equal to the normal cost and unfunded accrued liability contributions on the earnable compensation of all such employer's eligible members.

TRS is a multi-employer plan; however, the employer contributions for TRS are comprised of funds from State general fund appropriations, local school districts, colleges and universities, and federal and other funds. O.C.G.A. § 47-3-48 specifies that, 30 days prior to the time when the State Board of Education fixes the minimum schedule of teacher salaries for the ensuing year, the normal cost and unfunded accrued liability contribution rates, determined based on the last annual actuarial valuation, are to be certified by the TRS Board to each employer. Each employer (other than the Board of Regents) is required to make provision in its annual budget submitted to the State School Superintendent for funds with which to pay to the TRS an amount equal to the normal cost and unfunded accrued liability contributions on the earnable compensation of all such employer's eligible members. The Board of Regents in its estimates of funds necessary for the operation of its units submitted to the General Assembly is to include a request for an appropriation payable to the TRS Board in an amount equal to its portion of the normal cost and unfunded accrued liability contributions and the General Assembly is to make an appropriation to the TRS Board sufficient to provide for such contributions as a part of the earnable compensation of such employer's eligible members.

For purposes of estimating the budgetary impact of any legislatively proposed benefit changes and other TRS costs, the State Auditor estimates the percentage of State general fund appropriations to be applied to the ADEC. For FY 2014, State general fund appropriations were estimated to comprise approximately 56.0% of the ADEC payments for TRS and 72.3% for ERS. State general fund appropriations in FY 2014 for the ADEC payments for ERS and TRS were approximately $310 million and $708 million, respectively, and comprised, together, approximately 5.3% of total State general fund appropriations.

For FY 2015, State general fund appropriations are estimated to comprise approximately 56.0% of the ADEC payments for TRS and 73.3% for ERS. State general fund appropriations in FY 2015 for the ADEC payments for ERS and TRS are estimated to be approximately $358 million and $755 million, respectively, and are estimated to comprise, together, approximately 5.6% of total State general fund appropriations. See table labeled "ERS Projected Actuarially Determined Employer Contribution Status ($ in thousands)" on page A-39 and table labeled "TRS Projected Actuarially Determined Employer Contribution Status ($ in thousands)" on page A-40, herein.

The following table indicates, on a fiscal year basis, the ADEC for ERS and TRS, the portion of the ADEC funded by organizations in the State reporting entity, any amount unfunded, and the portion of the ADEC funded by organizations in the State reporting entity as a percentage of total State general fund appropriations. Employer offsets are not included in the amounts provided below and are not available. An employer offset exists under the ERS plan for employees who maintain membership with ERS based upon employment that started prior to July 1, 1982 (old plan members). The old plan offset as of June 30, 2013 is 4.75% of covered compensation paid by the employer on behalf of employees.

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ERS Annual Employer Contribution Status
($ in thousands)

Fiscal Year	ADEC	Amount Unfunded[a]	State Portion of ADEC[b]	State Portion Amount Unfunded	State Portion as a % of State General Fund Appropriations
2014	$428,982	(770)	$373,127	-	1.95%
2013	358,376	(616)	306,738	-	1.68
2012	273,623	(411)	238,738	-	1.37
2011	261,132	-	222,401	-	1.33
2010	263,064	-	236,656	-	1.51
2009[a]	282,103	897	258,307	897	1.45
2008	286,256	-	263,293	-	1.35
2007	270,141	-	246,649	-	1.36
2006	258,482	-	NA	-	NA
2005	243,074	-	NA	-	NA

[a] 2009 was restated to reflect a contribution shortfall of $897,000 by one employer group–Locally Elected Tax Commissioners. Combined with an additional shortfall of $5,262,000 for the same employer group in years prior to the fiscal year ended June 30, 2001 ("FY 2001"), the total deficit of $6,159,000 is expected to be repaid over ten years. Repayment of the deficit commenced in October 2011 and amounts shown in the "Amounts Unfunded" column in Fiscal Years 2012, 2013, and 2014 represent such repayments.
[b] Amounts reflect the portion of the ADEC funded by organizations within the State reporting entity and consist of State, federal and other monies.
NA: Not Available
Sources: ERS audited financial statements, ERS actuarial reports, the State of Georgia CAFR and the Governor's Budget in Brief.

TRS Annual Employer Contribution Status
($ in thousands)

Fiscal Year	ADEC	Amount Unfunded	State Portion of ADEC[a]	State Portion Amount Unfunded	State Portion as a % of State General Fund Appropriations
2014	$1,270,963	-	$214,220	-	1.12%
2013	1,180,469	-	194,804	-	1.06
2012	1,082,224	-	175,588	-	1.01
2011	1,089,912	-	170,893	-	1.02
2010	1,057,416	-	161,184	-	1.03
2009	1,026,287	-	147,863	-	0.83
2008	986,759	-	142,523	-	0.73
2007	927,371	-	134,510	-	0.74
2006	855,626	-	128,265	-	0.76
2005	815,693	-	123,865	-	0.79
				-	

[a] Amounts reflect the portion of the ADEC funded by organizations within the State reporting entity and consist of State, federal and other monies. Certain amounts funded by other entities, however, are derived from State appropriations.
Sources: TRS audited financial statements, TRS actuarial reports, the State of Georgia CAFR and the Governor's Budget in Brief.

Contribution Rate Structure. Actuarially determined employer contribution rates for ERS and TRS for FY 2015, FY 2016, and FY 2017 are as shown in the following table. The employer contribution rate structures of ERS and TRS are established by their respective Boards of Trustees under statutory guidelines, including requirements for the minimum annual contributions necessary to ensure the actuarial soundness of ERS and TRS (see O.C.G.A. § 47-20-10). 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". ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan. Employer offsets are the portion of the employees' required contribution to the pension system that the employer makes on the employees' behalf. An employer offset exists under the ERS plan for old plan members.

	ERS			TRS
Expressed as a % of Covered Compensation	**Old Plan**	**New Plan**	**GSEPS**	
For FY 2015				
Normal Cost	6.14%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.39	6.14%	3.05%	6.14%
UAAL	15.82	15.82	15.82	7.01
Total Rate	17.21%	21.96%	18.87%	13.15%
For FY 2016				
Normal Cost	6.10%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.35	6.10%	3.07%	6.38%
UAAL	18.62	18.62	18.62	7.89
Total Rate	19.97%	24.72%	21.69%	14.27%
For FY 2017				
Normal Cost	6.13%			
Less Employer Offset	-4.75			
Employer Normal Cost	1.38	6.13%	3.13%	6.56%
UAAL	18.56	18.56	18.56	7.71
Total Rate	19.94%	24.69%	21.69%	14.27%

Sources: ERS and TRS actuarial reports.

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Employee contribution rates for ERS and TRS for FY 2015, FY 2016, and FY 2017 are as shown in the following table. Employee contribution rates for ERS are fixed by statute. The TRS Board may establish employee rates between 5.00% and 6.00%.

	ERS			TRS
Employee Contributions Expressed as a % of Salary	**Old Plan**	**New Plan**	**GSEPS**	
For FY 2015				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%
For FY 2016				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%
For FY 2017				
Pension contribution	6.00%	1.25%	1.25%	6.00%
Group Term Life Insurance contribution	0.50%	0.25%	Not Covered	Not Covered
Employer Off-set	5.00%			
Total percent of pay contributed	1.50%	1.50%	1.25%	6.00%

Sources: ERS and TRS actuarial reports.

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The following tables indicate, for the applicable fiscal and valuation years, commencing with FY 2015 and the valuation year ending June 30, 2012, the projected ADEC for ERS and TRS based on the estimated normal costs of benefits and the payments made to amortize the estimated UAAL. Also shown are the actual funded ratios for valuation years 2012, 2013 and 2014, the estimated prospective funded ratios for valuation years 2015 through 2018, the portion of the projected ADEC funded by State general fund appropriations, and the portion of the projected ADEC funded by State general fund appropriations as a percentage of total State general fund appropriations. Other than the last two columns, the information in the following tables regarding ERS and TRS was prepared by their enrolled actuary. The information in the last two columns of the following tables was derived by the Governor's Office of Planning and Budget from revenue estimates of the State Economist and using the assumptions noted. The following tables are based on the ERS and TRS actuarial valuations as of June 30, 2014 and utilize the same assumptions as the June 30, 2014 actuarial valuations other than the projected investment returns for FY 2015 were used (5.00% rate of return for both ERS and TRS).

ERS Projected Annual Actuarially Determined Employer Contribution Status
($ in thousands)

Valua-tion Year	Fiscal Year	Employer Rate	Annual Payroll	ADEC Payment	AVA	AAL	UAAL	Funded Ratio	State Portion of ADEC[c]	State Portion of ADEC as % of State General Fund Appropriations[d]
2012	2015	21.96 [a] / 18.87 [b]	$2,343,138	$488,209	$12,260,595	$16,777,922	$4,517,327	73.1%	$357,760	1.79%
2013	2016	24.72 [a] / 21.69 [b]	2,370,580	556,732	12,129,803	16,982,449	4,852,645	71.4	407,973	1.97
2014	2017	24.69 [a] / 21.69 [b]	2,394,493	559,047	12,376,120	16,991,963	4,615,843	72.8	409,670	1.90
2015	2018	24.67 [a] / 21.69 [b]	2,413,864	560,583	12,674,843	17,019,474	4,344,631	74.5	410,795	1.83
2016	2019	24.64 [a] / 21.69 [b]	2,427,518	560,726	13,010,177	17,026,957	4,016,780	76.4	410,900	1.76
2017	2020	24.60 [a] / 21.69 [b]	2,437,975	560,460	13,344,169	17,016,822	3,672,653	78.4	410,705	1.69
2018	2021	24.56 [a] / 21.69 [b]	2,447,068	560,056	13,677,601	16,989,483	3,311,882	80.5	410,409	1.62

[a] Old Plan and New Plan.

[b] GSEPS.

[c] Amounts reflect the portion of the projected ADEC, 73.3%, estimated to be comprised of State general fund appropriations. This portion of the projected ADEC for FY 2015 – 2021 is based upon the percent of payroll paid through state general fund appropriations during FY 2014 for entities included in the State enterprise accounting system and the historical ratios at which entities outside the State enterprise accounting system have been funded payroll adjustments.

[d] State general fund appropriations for FY 2015 – 2021 are based on the most recent revenue estimates of the State Economist.

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TRS Projected Annual Actuarially Determined Employer Contribution Status
($ in thousands)

Valuation Year	Fiscal Year	Employer Rate	Annual Payroll	ADEC Payment	AVA	AAL	UAAL	Funded Ratio	State Portion of ADEC[a]	State Portion of ADEC as % of State General Fund Appropriations[b]
2012	2015	13.15%	$10,251,034	$1,348,011	$56,262,332	$68,348,678	$12,086,346	82.3%	$ 754,886	3.77%
2013	2016	14.27	10,532,331	1,502,961	58,594,837	72,220,865	13,626,028	81.1	841,658	4.06
2014	2017	14.27	10,831,467	1,545,650	62,061,722	75,772,117	13,710,395	81.9	865,564	4.02
2015	2018	16.51	11,147,098	1,840,386	65,621,780	82,344,424	16,722,644	79.7	1,030,616	4.59
2016	2019	19.03	11,478,421	2,184,344	69,198,906	89,419,597	20,220,691	77.4	1,223,232	5.23
2017	2020	18.91	11,822,228	2,235,583	72,663,092	92,688,549	20,025,457	78.4	1,251,927	5.14
2018	2021	17.27	12,184,986	2,104,347	76,247,602	93,725,401	17,477,799	81.4	1,178,434	4.65

[a] Amounts reflect the portion of the projected ADEC estimated to be comprised of State general fund appropriations using the State Auditor's May 2014 estimate of 56.0%.

[b] State general fund appropriations for FY 2015 – 2021 are based on the most recent revenue estimates of the State Economist.

Actuarial Methods and Assumptions. A number of significant assumptions are used to determine projected pension obligations and related costs. The amount of benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including estimates of the average life of employees/survivors and average years of service rendered and is measured based on assumptions concerning future interest rates and future employee compensation levels. In addition, actuarial valuations include assumptions regarding the long-term rate of return on plan assets. Should actual experience differ from actuarial assumptions, the projected pension obligations and related pension costs would be affected in future years. Refer to Note 15, "Retirement Systems," in APPENDIX B hereto for additional detail regarding significant actuarial assumptions.

Georgia law requires that at least once every five years an experience study be performed on TRS and ERS. An experience study is the investigation into the mortality, service and compensation experience of the members and beneficiaries by comparing the actual experience with the assumed experience during the five year period. The actuarial firm preparing the experience study will recommend changes to the assumptions and methods if there are any significant differences. The purpose of the experience study is to assess the reasonableness of the actuarial assumptions and methods used by the Systems. TRS' most recent experience study is for the five year period ended June 30, 2009. ERS' most recent experience study is for the five year period ended June 30, 2009. The next five year experience studies for TRS and ERS for the period ended June 30, 2014 are expected to be completed in the Fall of 2015.

On July 21, 2010, the TRS Board adopted a smoothed valuation interest rate methodology which has been used since the June 30, 2009 actuarial valuation to calculate the ADEC. The method utilizes a 30-year time horizon and determines the interest rate needed over a defined 23-year look-forward period, so that the ultimate investment rate of return (discount rate assumed to be 7.5%) is earned over such 30-year period, based on the actual rates of return for a 7-year look-back period. TRS adopted the smoothed valuation interest rate methodology based on its view that it allows for better alignment of employee and employer contribution rates with changes in the economy. With this method, TRS increases contribution rates during periods of rising revenues and investment returns, while maintaining current contribution rates during periods of declining revenues and investment returns. With the smoothed valuation interest rate method, the required contributions are counter-cyclical, allowing employees and employers to contribute at lower rates during bad economic times and at higher rates when funding is more readily available.

On July 27, 2011, the TRS Board of Trustees adopted a refinement of its smoothed valuation interest rate methodology to include a corridor around the long-term investment rate of return, effectively reducing the potential volatility of the actuarial valuation results reflected in the financial statements. This approach has been used since the June 30, 2010 actuarial valuation and was retroactively applied to the June 30, 2009 actuarial valuation. The corridor around the long-term investment rate of return (i.e., the average investment rate of return over the 40-year period beginning on the valuation date) is determined such that the long-term investment rate of return is between the 40th and 50th percentile of expected returns over a 40-year period based on TRS market assumptions and asset allocations, which as of the June 30, 2014 actuarial valuation is between 7.25% and 7.84%. The methodology to determine the AVA also includes a corridor between 75% and 125% of the MVA around the AVA.

On November 20, 2013, the TRS Board adopted a formal funding policy to define TRS funding objectives, the benchmarks used to measure progress, and the primary methods and assumptions that will be used to develop the benchmarks. Two significant changes in actuarial methods and assumptions were adopted by the TRS Board. First, the method used to amortize the unfunded actuarial accrued liability (UAAL) was changed from an open 30-year period to a closed 30-year period. The previous 30-year open period meant that with each actuarial valuation, the total UAAL is amortized over a new 30-year period. This method in effect "refinanced" the UAAL each year, resulting in the UAAL never being paid off. The new 30-year closed period means that the initial UAAL (the UAAL as of June 30, 2013) would be amortized over a closed 30-year period. Each year thereafter, the change in the UAAL would be amortized over a separate closed 30-year period. The blended amortization period as of the June 30, 2014 actuarial valuation is 29.0 years. This method will lead to an eventual reduction in the UAAL with the intention of it being paid off. Second, the method used in smoothing asset values was changed from 7-year smoothing to 5-year smoothing. A shorter period results in a closer fit to market value. The actuarial value of assets also was set to equal the market value of the assets which fully recognized the remaining unrealized gains and losses from the past 7 years and facilitates the transition from 7-year smoothing to 5-year smoothing.

The TRS actuarial report prepared by the TRS enrolled actuary dated May 1, 2015 indicates that, as of June 30, 2014, TRS has an UAAL in the amount of $13.710 billion and was used to set the ADEC for FY 2017. Significant actuarial assumptions used in the TRS actuarial report as of June 30, 2014 include: (a) an ultimate investment rate of return of 7.50%, (b) projected salary increases of 3.75% - 7.00%, (c) an annual inflation rate of 3.00%, (d) anticipated annual cost-of-living adjustments of 3.00%, (e) amortization of the UAAL over a closed period of 30 years, and (f) 5-year smoothing of assets. The smoothed interest rate during the 23-year look forward period was determined to be equal to 7.86%. The combination of the 7.86% smoothed interest rate for the first 23 years and the ultimate investment rate of return of 7.50% for the remaining 17 years of the 40-year calculation period resulted in a calculated long-term investment rate that would be within the corridor limits described above. The TRS actuarial report indicates that, in the opinion of the actuary, TRS is operating on an actuarially sound basis, and in conformity with the minimum funding standards of Georgia law.

The TRS audited financial statements shows a net position restricted for pensions as of June 30, 2014 of approximately $66.5 billion, an increase of 13.5% from the June 30, 2013 net position restricted for pensions of approximately $58.6 billion. As of April 30, 2015, TRS had a net position restricted for pensions of approximately $67.8 billion (unaudited).

On December 19, 2013, the ERS Board adopted a formal funding policy to define ERS funding objectives, the benchmarks used to measure progress, and the primary methods and assumptions that will be used to develop the benchmarks. Two significant changes in actuarial methods and assumptions were adopted by the ERS Board. First, the method used to amortize the unfunded actuarial accrued liability (UAAL) was changed from an open 30-year period to a closed 25-year period. The previous 30-year open period meant that with each actuarial valuation, the total UAAL is amortized over a new 30-year period. This method in effect "refinanced" the UAAL each year. The new 25-year closed period means that the initial UAAL (FY 2013) would be amortized over a closed 25-year period. Each year thereafter, any incremental change in the UAAL would be amortized over a separate closed 25-year period. The blended amortization period as of the June 30, 2014 actuarial valuation is 22.6 years. This method will lead to an eventual reduction in the UAAL with the intention of it being paid off, and in a shorter (25-year) timeframe than previously utilized. Second, the method used in smoothing assets was changed from 7-year smoothing to 5-year smoothing. A shorter period results in a closer fit to market value. The actuarial value of assets was also set to equal the market value of the assets which fully recognized the remaining unrealized gains and losses from the past 7 years and facilitates the transition from 7-year smoothing to 5-year smoothing.

Following the actuarial valuation as of June 30, 2009, ERS determined that an employer group within ERS had not contributed its required contribution. Pursuant to O.C.G.A. § 47-2-292, "[t]he offices of the tax commissioners, tax collectors, and tax receivers of the counties of this State are declared to be adjuncts of the Department of Revenue" and these officials and their employees are eligible for membership in the ERS. Currently there are approximately 1,500 active and retired members who are so eligible. Related to the required employer contributions for such members of ERS, O.C.G.A. § 47-2-292 provides that "[t]he state revenue commissioner is authorized and directed to pay from the funds appropriated for the operation of the Department of Revenue, the employer contributions required by this chapter, upon receipt of an invoice from the retirement system." Pursuant to a review by ERS, it was determined that the Department of Revenue owed ERS employer contributions of approximately $6.2 million for FY 1997 – FY 2009. On March 31, 2011, ERS received $11,022,124 from the Department of Revenue to fully fund the pension liability related to local tax officials' retirement benefits for FY 2010 and FY 2011. ERS's FY 2010 actuarial report reflects a contribution shortfall of approximately $6.2 million for past due amounts from FY 1997 through FY 2009 for local tax commissioners. The State expects to fund this obligation over a ten year period through higher contribution rate assessments to the Department of Revenue in the amount of $615,943 each year. The higher contribution rate assessments began to be paid effective October 1, 2011 in monthly installments of $51,329.

The ERS actuarial report prepared by the enrolled actuary dated April 16, 2015 indicates that, as of June 30, 2014, ERS has an UAAL in the amount of $4.616 billion and was used to set the ADEC for FY 2017. Significant actuarial assumptions used in the ERS actuarial report as of June 30, 2014 include: (a) an investment rate of return of 7.50%, (b) projected salary increases of 5.45% - 9.25%, (c) an annual inflation rate of 3.00%, (d) no cost-of-living adjustments, (e) amortization of the UAAL over a closed period of 25 years, and (f) 5-year smoothing of assets. The ERS actuarial report indicates that, in the opinion of the actuary, ERS is operating on an actuarially sound basis and in conformity with the minimum funding standards of Georgia law.

The ERS audited financial statements shows a net position restricted for pensions as of June 30, 2014 of approximately $13.3 billion, an increase of 9.6% from the June 30, 2013 net position restricted for pensions of approximately $12.1 billion. As of April 30, 2015, ERS had a net position restricted for pensions of approximately $13.2 billion (unaudited).

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved GASB Statement Nos. 67 and 68, which will impact the accounting and financial reporting for defined benefit pension plans and for state and local governments that participate in such plans. Statement No. 67 superseded existing guidance for the financial reports of pension plans by, among other things, requiring additional disclosure in the notes to financial statements and in required supplementary information; it also provides guidance regarding the calculation of the net pension liability ("NPL") as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service, using new parameters) and the net plan position (consisting mostly of investments reflected at fair value). ERS and TRS implemented GASB Statement No. 67 in their Comprehensive Annual Financial Statements for the fiscal year ended June 30, 2014. For additional information, refer to the prior section entitled "*Financial Reporting of Net Pension Liability.*" on page A-37 and also Note 15, "Retirement Systems," in APPENDIX B hereto. Statement No. 68 revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits by, among other things, requiring governments to recognize long-term obligations for pension benefits as a liability. Major changes include: (1) the inclusion of the NPL on the government employer's balance sheet (unfunded liabilities are currently typically included as notes to the government's financial statements) rather than the portion of the actuarially determined employer contribution that has not been funded; (2) separation of expenses from funding: reported annual pension expense will no longer be connected to the funding of the plan and could be significantly different from the actuarially determined employer contribution, and could be more volatile; (3) use of a single blended discount rate reflecting a long-term expected rate of return on plan assets to the extent that assets are projected to be available to pay benefits and a municipal borrowing rate to the extent a funding shortfall is projected; and (4) immediate recognition of certain benefit plan changes, which generally would increase pension expense; and shorter amortization periods than currently used to recognize the effects on the total pension liability for changes in assumptions and differences in assumptions and actual experience. In addition, the new standard requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective NPL and expense for the cost-sharing plan while under the prior standard, an employer in a cost-sharing plan would report a liability only if it failed to make its full contractually required contribution to the plan. GASB Statement No. 68 will be implemented by state and local governments that provide their employees with pension benefits for the fiscal year ended June 30, 2015. While the State is still in the process of determining the impact of GASB Statement No. 68, it is expected that there will be a material effect on the financial position of the State as reflected in its entity-wide financial statements for the fiscal year ended June 30, 2015.

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Other Post-Employment Benefit Plans

Retirees of State government and local school districts who are eligible to receive monthly retirement benefits from a State-sponsored retirement system and are enrolled in the State Health Benefit Plan ("SHBP") at the time they retire have the option to continue health-care coverage under SHBP. Retirees age 65 and older are required to enroll in a Medicare Advantage option in order to receive state contributions toward their health insurance policy premiums. Retirees and State employees hired prior to July 1, 2009 are also eligible to participate in group term life insurance.

GASB has issued two pronouncements which have impacted the State's accounting and financial reporting for post-employment benefits such as retiree health care benefits, commonly known as Other Post-Employment Benefits ("OPEB"): GASB Statement 43 and GASB Statement 45 (collectively the "GASB Statements").

Briefly, under the GASB Statements, the State must report in its financial statements "costs" associated with future participation of retirees in OPEB. Beginning with the fiscal year ended June 30, 2007 ("FY 2007"), the State implemented financial reporting requirements for OPEB plans under GASB Statement 43. Beginning with the fiscal year ended June 30, 2008 ("FY 2008"), the State implemented accounting and financial reporting requirements for employers under GASB Statement 45. In fiscal year 2012, GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, became effective. As Georgia does not have agent multiple-employer plans, this Statement is not applicable.

The State provides the following significant OPEB plans:

Administered by the 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 ERS:
State Employees' Assurance Department – OPEB (SEAD-OPEB)
State Employees' Assurance Department – Active (SEAD-Active)
Administered by the University System Office (Board of Regents):
Board of Regents Retiree Health Benefit Fund (BOR Retiree Plan)

Financial statements (including the notes thereto and other supplementary information as presented in the "State of Georgia Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014" attached hereto as APPENDIX B) report accrued OPEB costs and funding progress and other information required by the GASB Statements. The OPEB disclosures rely on information produced by the plans and their independent accountants and actuaries. Actuarial assessments are "forward-looking" valuation estimates that reflect the judgment of the fiduciaries of the plans. Actuarial assessments are based upon a variety of assumptions. Should actual experience differ from actuarial assumptions, the projected OPEB obligations and related OPEB costs would be affected in future years.

The State OPEB Fund and School OPEB Fund are cost-sharing multiple employer defined benefit post-employment healthcare plans. The State Employees' Assurance Department ("SEAD") plans, SEAD-OPEB and SEAD-Active, are cost-sharing multiple employer defined benefit post-employment plans for the provision of life insurance benefits. The BOR Retiree Plan is a single-employer, defined-benefit, post-employment healthcare plan. Membership in the plans as of June 30, 2014 follows:

	State OPEB Fund	School OPEB Fund	SEAD-OPEB	SEAD-Active	BOR Retiree Plan
Retirees and beneficiaries	34,183	73,438	40,789	-	20,583
Terminated employees entitled to benefits			1,038		-
Active plan members	48,490	170,601	38,711	38,711	38,092
Total	82,673	244,039	80,538	38,711	58,675

Sources: Audited financial statements of the plans as of June 30, 2014 for the BOR Retiree Plan and the SEAD term life insurance plans, and actuarial valuations as of June 30, 2013 for the Georgia State Employees Post-Employment Health Benefit Fund and Georgia School Personnel Post-Employment Health Benefit Fund.

In accounting terms, SHBP, which is described below, primarily operates on a "pay-as-you-go" basis. This is also true for the separate group health plan administered for active employees and retirees by the Board of Regents, under its general power to govern, control and manage the University System of Georgia. Each fiscal year the General Assembly in the general appropriations act determines the maximum amount of the State's contributions, and the Board of Community Health and the Board of Regents, respectively, reacting to input from various entities, determine plan benefits, terms and conditions, contributions required from all employers offering coverage under the respective plans, and the subscription (premium) rate for participants.

Under the pay-as-you-go funding approach, funds had not previously been set aside to pay future health care costs of retirees. However, in 2005, the General Assembly in response to the GASB Statements provided by law for a trust fund for retiree health benefits for the SHBP, in which employer contributions for current and future retiree health costs may be accumulated and invested when available and which has facilitated the separate financial reporting of OPEB. The trust fund was known as the Georgia Retiree Health Benefit Fund. In 2007 the General Assembly enacted similar legislation for the Board of Regents, authorized pursuant OCGA § 47-21-21.

In 2009, the General Assembly revisited the Georgia Retiree Health Benefit Fund and enacted legislation that, effective August 31, 2009, bifurcated the Georgia Retiree Health Benefit Fund into two new and distinct funds: the Georgia School Personnel Post-employment Health Benefit Fund (the "School OPEB Fund") and the Georgia State Employees Post-employment Health Benefit Fund (the "State OPEB Fund" and, together with the School OPEB Fund, the "OPEB Trust Funds"). The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions will be dedicated to their respective retiree populations. Funds in the Georgia Retiree Health Benefit Fund were segregated by contributions and related earnings attributed to State employees or school personnel (public school teachers and public school employees) and then transferred to the State OPEB Fund or the School OPEB Fund, respectively, as described below. The statute that created the Georgia Retiree Health Benefit Fund was repealed effective September 1, 2010.

Total contributions above pay-as-you-go, including a FY 2008 appropriation of $100 million in State funds, and earmarked for long-term investment in the Georgia Retiree Health Benefit Fund between July 1, 2007 and June 30, 2009 equaled $194,624,418. Employer contributions to the SHBP were reduced from September 2009 through November 2009 in response to the State's budget constraints. In order to ensure adequate funding for pay-as-you-go or "current" retiree expenditures in FY 2010, the Board of Community Health directed on August 13, 2009 that the assets deposited in long-term investments in these funds be liquidated and made available to help pay retiree pay-as-you-go expenditures in FY 2010. The investments were liquidated on August 31, 2009 and resulted in

$136,932,084 being made available in the State OPEB Fund for FY 2010 State and contract group retiree expenses and $33,806,175 in the School OPEB Fund for FY 2010 retired school personnel expenses.

The AFY 2015 and FY 2016 Appropriations Acts direct the SHBP to transfer funds exceeding Incurred But Not Reported (IBNR) liability plus a 10% contingency reserve to the OPEB Trust Funds. Accordingly, as of May of FY 2015, the Department of Community Health has transferred $101.4 million to the State OPEB Fund and $30.8 million to the School OPEB Fund with allocations between the two funds based on the original source of the funds. It is expected that FY 2016 Financial Statements will reflect over $300 million in equity in the OPEB Trust Funds.

Employer contributions to the State OPEB Fund currently are funded as a percent of state agency payroll. Employer contributions are funded through a mix of State appropriations, federal revenue, fee income and other income streams available to State agencies. For FY 2015, the budgeted employer share of pay-as-you-go contributions to the State OPEB Fund is approximately $168 million. Approximately $118 million, or 70.4% of the employer contributions, is budgeted from State appropriations.

Employer contributions to the School OPEB Fund currently are funded from State appropriations to local school districts (also known as Local Education Agencies or LEAs), State appropriations to other educational entities, and from local school district direct contributions. For FY 2015, the budgeted employer share of pay-as-you-go contributions to the School OPEB Fund is approximately $391 million. Approximately $235 million, or 60% of the employer contributions, is budgeted from State appropriations.

The Group Term Life Insurance ("GTLI") benefit is administered by the SEAD Board. The GTLI benefit provides coverage to both active and retired members of ERS, the Legislative Retirement System and certain Judicial Retirement System members. As of today, no new members can be added to the GTLI plan per legislation passed in 2008 and 2009.

For active members in GTLI, 0.25% contribution is deducted from each paycheck entitling them to life insurance coverage for that month. Coverage is equal to 18 times their monthly salary should they pass away while in active status. The SEAD Board may at any time cancel this coverage, change the benefit structure or reduce coverage.

For retirees, coverage continues under GTLI at a reduced level (70% of their age 60 level). Retirees are no longer required to contribute for this benefit and the benefit continues until payout at time of death.

A valuation analysis is conducted each year to determine if employer contributions will be necessary. There are no required contributions for either GTLI plan for FY 2015 or FY 2016.

The Board of Community Health has received the enrolled actuary's Retiree Medical Actuarial Valuation Report for June 30, 2013. The June 30, 2013 actuarial valuation considers changes in plan options and premium pricing made by the SHBP for the 2013 calendar plan year, including: increases in deductibles and out of pocket maximums; elimination of the PPO and HMO Premium Plans; procurement to secure vendors to administer medical and pharmacy benefits; and establishing health plans that contain Health Reimbursement Accounts (HRA).

For the State OPEB Fund, the June 30, 2013 UAAL is valued actuarially at $3,587,913,000. The Annual Required Contribution ("ARC") for FY 2016 is $259,249,981. The UAAL on the June 30, 2012 actuarial valuation was $3,867,926,833. The UAAL was expected to increase $12,700,000 due to interest and normal cost accruals, offset by employer contributions. Plan changes together with favorable claims experience reduced the UAAL by $281,600,000; however, this reduction was offset by a loss due to the deficiency in the contribution toward the ARC of $96,300,000. For the June 30, 2013 valuation, both active and retiree census data from the Department of Community Health was used in conjunction with pension data provided by the retirement systems to determine eligibilities and participation election patterns. A gain of $107,400,000 due to actual experience differing from experience assumptions further reduced the UAAL. With all factors considered the net decrease to the UAAL is $280,013,833.

For the School OPEB Fund, the June 30, 2013 UAAL is valued actuarially at $10,788,794,736. The ARC for FY 2016 is $873,735,876. The UAAL on the June 30, 2012 actuarial valuation was $10,869,929,923. The UAAL was expected to increase $78,600,000 due to interest and normal cost accruals, offset by employer contributions. Plan changes together with favorable claims experience reduced the UAAL by $398,300,000. This reduction was offset by a loss due to the deficiency in the contribution toward the ARC of $522,300,000. A gain of $283,700,000 due to actual experience differing from experience assumptions also reduced the UAAL. With all factors considered, the net reduction to the UAAL is $81,135,187.

Also, to facilitate OPEB reporting in accordance with the GASB Statements, separate trust funds have been created by statute for administration of the GTLI program for members and retirees of the State employee, legislative and judicial retirement systems. The Board of Trustees of ERS administers the program. Statutory contributions of retirees and members are allocated between the new trusts. The initial allocation of assets was based by extrapolation on the actuarial valuation for FY 2006. Under that valuation method, utilized for the FY 2007 valuation and the FY 2008 valuation, there was excess funding (negative unfunded liability) in both of the new trust accounts and no perceived need of further employer contributions under assumptions and amortization periods of the reports.

Pursuant to 2012, 2013, and 2014 valuations, the FY 2015 ARC, the FY 2016 ARC, and the FY 2017 ARC for the GTLI programs are $0. The employer also pays 0.22% of the 0.45% and 0.03% of the 0.05% of member contributions for ERS old plan members for the SEAD – OPEB and SEAD – Active, respectively. The SEAD – OPEB UAAL was actuarially valued at ($153,044,912) and ($249,880,913) as of the FY 2013 and FY 2014 valuations, respectively. The SEAD – Active UAAL was actuarially valued at ($167,266,267) and ($199,481,167) as of the FY 2013 and FY 2014 valuations, respectively.

A third trust account also is committed to the survivors benefit program, though unallocated between the new trusts. Since the FY 2007 valuation, under statutory changes, members who enter or re-enter ERS on or after January 1, 2009 are no longer eligible for GTLI. As of July 1, 2009, persons who enter or again enter into the judicial and legislative retirement systems also will not be eligible for coverage under GTLI. In FY 2009, the method of amortizing the unfunded excess or liability was changed from level percentage of payroll to level dollar because the plan is now closed to new entrants.

The BOR Retiree Plan is a single-employer, defined benefit, healthcare plan administered by the Board of Regents for the purpose of accumulating funds necessary to meet employer costs of retiree post-employment health insurance benefits. The Board of Regents actuarial report prepared by its enrolled actuary dated November 3, 2014, indicates that as of July 1, 2013, the BOR Retiree Plan has an UAAL in the amount of $4,095,304,172. The ARC for FY 2014 was $403,314,315. For FY 2014, the Board of Regents contributed $120,926,456 to the BOR Retiree Plan for current premiums or claims. Plan members receiving benefits contributed $34,218,671 for current premiums or claims.

The following table shows the components of the Board of Regents' annual OPEB cost for FY 2014, the amount actually contributed to the BOR Retiree Plan, and changes in the Board of Regents' net OPEB obligation to the BOR Retiree Plan ($ in millions).

	June 30, 2014
Annual required contribution	$403.3
Interest on net OPEB obligation	69.9
Adjustment to annual required contribution	(63.4)
Annual OPEB cost (expense)	409.8
Less: Contributions made	(120.9)
Increase in net OPEB obligation	288.9
Net OPEB obligation – beginning of year (restated)	1,554.2
Net OPEB obligation – end of year	$1,843.1

The State's participation in the costs of the health benefit plans remains subject to the annual appropriations process, and the plan terms, benefits and cost to participants remain within the discretion of the Board of Community Health and the Board of Regents. This is not changed by the GASB Statements, which are financial reporting standards and do not govern fiscal management or establish legal requirements.

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The funded status of the OPEB plans for each of the past five actuarial valuation dates is presented in the following table ($ in thousands).

OPEB Plans
Historical Funding Progress
Market Value
($ in thousands)

OPEB Plan / Valuation Date	Actuarial Value of Assets equals Market Value (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
State Plan						
6/30/2013	$0	$3,587,913	$3,587,913	0.0%	$2,328,334	154.1%
6/30/2012[a]	0	3,867,927	3,867,927	0.0	2,408,000	160.6
6/30/2011	0	4,311,636	4,311,636	0.0	2,542,891	169.6
6/30/2010[b]	186	4,478,594	4,478,408	0.0	2,626,081	170.5
6/30/2009	136,932	4,520,953	4,384,021	3.0	2,730,018	160.6
School Plan[c]						
6/30/2013	$0	$10,788,795	$10,788,795	0.0%	$9,445,376	114.2%
6/30/2012[a]	0	10,869,930	10,869,930	0.0	9,678,000	112.3
6/30/2011	0	11,143,125	11,143,125	0.0	11,127,288	100.1
6/30/2010[b]	58	11,250,400	11,250,342	0.0	11,446,504	98.3
6/30/2009	33,806	11,900,505	11,866,699	0.3	11,628,960	102.0
SEAD-OPEB						
6/30/2014	1,037,901	788,020	(249,881)	131.7	1,628,712	(15.3)
6/30/2013	907,831	754,786	(153,045)	120.3	1,767,052	(8.7)
6/30/2012	818,284	704,617	(113,667)	116.1	1,962,800	(5.8)
6/30/2011	807,893	678,420	(129,472)	119.1	2,166,982	(6.0)
6/30/2010	680,449	691,001	10,552	98.5	2,401,974	0.4
SEAD-Active						
6/30/2014	235,358	35,877	(199,481)	656.0	1,628,712	(12.2)
6/30/2013	204,779	37,513	(167,266)	545.9	1,767,052	(9.5)
6/30/2012	183,390	39,317	(144,073)	466.4	1,962,800	(7.3)
6/30/2011	184,783	40,145	(144,638)	460.3	2,166,982	(6.7)
6/30/2010	156,132	40,523	(115,609)	385.3	2,401,974	(4.8)
BOR Retiree Plan						
7/1/2013	217	4,095,304	4,095,087	0.0	2,594,800	157.8
7/1/2012	166	3,758,970	3,758,804	0.0	2,466,314	152.4
7/1/2011	123	3,494,501	3,494,378	0.0	2,526,212	138.3
7/1/2010	123	3,384,100	3,383,977	0.0	2,432,367	139.1
7/1/2009	10,566	3,129,508	3,118,942	0.3	2,399,532	130.0

[a] Reflects changes based on data audit.
[b] Reflects assumption changes based on experience study of 5-year period ending June 30, 2009.
[c] The salary amount shown is total salaries and is not the salary amount upon which regular employer contributions to the SHBP are based. Since individual PSERS salary is not available, it assumes annual salary for PSERS members of $27,000 for 2013, $27,000 for 2012, $26,192 for 2011, $25,244 for 2010, and $24,332 for 2009.

Source: Plan actuarial reports and underlying actuarial data

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The following table indicates, on a fiscal year basis, the ARC, the contractually required contribution ("CRC"), the percentage of ARC contributed and any unfunded CRC. Total CRC from all employers participating in the OPEB plans are provided below, with the portion of the CRC contributed by organizations in the State reporting entity provided separately. The BOR Retiree Plan is a single-employer plan. Therefore, all employer contributions to the Regents Plan are the responsibility of the State. Employer contributions to the SEAD-OPEB plan are not required in FY 2014, FY 2015, and FY 2016.

The State currently covers its share of retiree healthcare costs on a pay-as-you-go basis using employer contributions. These contribution rates are set annually by the Board of Community Health in accordance with the annual Appropriations Act. The AFY 2015 and FY 2016 Appropriations Acts direct the SHBP to transfer funds exceeding IBNR liability plus a 10% contingency reserve to the OPEB Trust Funds. As of May of FY 2015, the Department of Community Health has transferred \$101.4 million to the State OPEB Fund and \$30.8 million to the School OPEB Fund with allocations between the two funds based on the original source of the funds.

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OPEB Plans Annual Employer Contribution Status
($ in thousands)

OPEB Plan / Fiscal Year	ARC	CRC	Percentage of ARC Contributed	CRC Amount Unfunded	State Portion CRC[d]	State Portion Amount Unfunded
State Plan						
2013	$338,819	$181,504	53.6%	-	$169,992	-
2012	317,100	181,899	57.4	-	159,827	-
2011	327,053	168,384	51.5	-	147,749	-
2010[a]	347,772	22,209	6.4	-	19,516	-
2009	387,790	170,790	44.0	-	150,756	-
School Plan						
2013	$982,120	$362,527	36.9%	-	$1,947	
2012	1,054,708	380,859	36.1	-	1,949	-
2011	1,050,851	339,221	32.3	-	1,682	-
2010	1,080,042	308,539	28.6	-	1,535	-
2009	1,290,050	303,348	23.5	-	1,571	-
SEAD-OPEB and SEAD-Active						
2014	-	-	-	-	-	-
2013[e]	-	-	-	-	-	-
2012[b]	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
BOR Retiree Plan						
2014	$403,314	$120,926	30.0%	-	$120,926	-
2013	$362,426	$83,414	23.0	-	$83,414	-
2012	345,298	88,836	25.7	-	88,836	-
2011	411,516	80,262	19.5	-	80,262	-
2010	381,700	69,900	18.3	-	69,900	-

[a] FY 2010 employer contributions to the State Plan are significantly reduced from prior years because current year claims were paid from existing plan assets.
[b] The SEAD-OPEB had FY 2012 ARC of $12.7 million paid on behalf of employers from existing assets of the Survivors Benefit Fund. Of that amount, $11.1 million was paid on behalf of organizations in the State reporting entity for FY 2012. There were no required employer contributions for FY 2012 for SEAD-Active.
[d] Unaudited estimate
[e] The SEAD-OPEB had FY 2013 ARC of $5.0 million paid on behalf of employers from existing assets of the Survivors Benefit Fund. Of that amount, $4.5 million was paid on behalf of organizations in the State reporting entity for FY 2013 (unaudited). There were no required employer contributions for FY 2013 for SEAD-Active.
Sources: Plan annual reports and actuarial reports and the State of Georgia CAFR

For additional information on the health benefit plans and OPEB, see Appendix B herein, Note 16, "Postemployment Benefits".

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Employee Health Benefit Plans

State Health Benefit Plan. The SHBP is comprised of three health insurance plans: (1) a plan primarily for State employees (O.C.G.A. § 45-18-2), (the "State Employees' Plan"), (2) a plan for teachers (O.C.G.A. § 20-2-881) (the "Teachers' Plan"), and (3) a plan for non-certificated public school employees (O.C.G.A. § 20-2-911) (the "Public School Employees' Plan"). All three plans operate on a plan year that is coincident with the calendar year. The State Employees' Plan is supported by the fund described in O.C.G.A. § 45-18-12, which holds contributions from State departments and agencies and other entities authorized by law to contract with DCH for inclusion, as well as contributions from their employees and retirees. Starting September 1, 2009, retirees' contributions and the portion of employer contributions to the State Employees' Plan allocated by DCH for the payment of retiree benefits are deposited in the Georgia State Employees' Post-employment Health Benefit Fund. For FY 2015, the budgeted share of the employer contributions to the State Employee's Plan from State appropriations is estimated to be approximately 70.4%.

The Teachers' Plan is supported by the fund described in O.C.G.A. § 20-2-891, which holds contributions from the Department of Education, local school systems, libraries and regional educational service agencies ("RESAs"), as well as contributions from their employees and retirees. The Public School Employees' Plan is supported by the fund described in O.C.G.A. § 20-2-918, which holds contributions from the Department of Education, local school systems, libraries and RESAs, as well as contributions from their employees and retirees. Starting September 1, 2009, retirees' contributions and the portion of employer contributions to the Teachers' Plan and the Public School Employees' Plan allocated by DCH for the payment of retiree benefits under those plans are deposited in the Georgia School Personnel Post-employment Health Benefit Fund. For FY 2015, the budgeted share of the employer contributions to the Teacher's Plan and the Public School Employees' Plan from State appropriations is approximately 60%.

The DCH conducted a procurement in 2014 to provide additional plan offerings in Plan Year 2015, including two statewide HMOs, a High-Deductible Health Plan, and a Regional HMO. The SHBP continues to prioritize wellness. Members may earn incentive credits by completing various wellness activities. No employer contribution increases were implemented for FY 2015. The DCH board approved continuing the Non Certificated Public School Employee Per Member Per Month (PMPM) Employer Contribution Rate (ECR) at $596.20 in FY 2015. The Teachers Plan ECR will remain at $945.00 PMPM for each non library employee enrolled in the Teachers Plan, and $843.00 PMPM for each library employee enrolled in the Teachers Plan. The State Employee ECR was reduced from an annual rate of 30.781% to 30.454% effective July 1, 2014.

Requirements of the Affordable Care Act and associated fees are projected to cost SHBP $278 million in FY 2016. Included in these costs are coverage requirements and mandated fees such as: dependent coverage up to age 26, preventive care and women's health services, limits on cost-sharing, increased enrollment due to the individual mandate, the Patient Centered Outcomes Research Institute (PCORI) fee and the Transitional Reinsurance Fee.

Board of Regents Health Benefit Plan. The University System of Georgia offers its employees and retirees access to three self-insured healthcare plan options and one fully insured plan option. For the University System of Georgia's Plan Year 2014, the following self-insured health care options were available: Blue Choice HMO plan, (Blue Cross and Blue Shield of Georgia) HAS Open Access POS plan, and the (Blue Cross and Blue Shield of Georgia) Open Access POS plan. The University System of Georgia institutions and participating employees pay premiums to the plan fund to access benefits coverage. All units of the University System of Georgia share the risk of loss for claims associated with these plans. The reserves for these plans are considered to be a self-sustaining risk fund. The Board of

Regents has contracted with Blue Cross and Blue Shield of Georgia, a wholly owned subsidiary of WellPoint, to serve as the claims administrator for the self-insured healthcare plan options. In addition to the self-insured healthcare plan options offered to the employees of the University System of Georgia, a fully insured HMO healthcare plan option also is offered to System employees and retirees through Kaiser. The Open Access POS plan has carved-out prescription drug plan administered through Express Scripts. Pharmacy drug claims are processed in accordance with guidelines established for the Board of Regents' Prescription Drug Benefit Program. Generally, claims are submitted by participating pharmacies directly to Express Scripts for verification, processing and payment. Express Scripts maintains an eligibility file based on information furnished by Blue Cross and Blue Shield of Georgia on behalf of the various organizational units of the University System of Georgia. Medicare eligible retirees enrolled in the Open Access POS plan are enrolled in the University System of Georgia PDP Medicare Part D prescription drug plan for their pharmacy benefit. Express Scripts administers this plan on behalf of the University System of Georgia.

The self-funded plan reserve fund had the following cash basis activity for FY 2014: premiums collected of $484,693,970; claims and expenses paid of $514,831,943; prescription rebates of $18,935,341; and other income of $92,466 resulting in an overall self-funded plan fund balance at June 30, 2014 of $85,738,234. As of June 30, 2013, the self-funded plans had IBNR claims of $32,737,154 for active employees and $9,326,592 for retirees. As of June 30, 2014, the self-funded plans had IBNR claims of $39,089,023 for active employees and $12,119,357 for retirees, and held investment assets of $48.9 million in the self-funded reserve fund.

The Board of Regents has made benefit plan changes since 2009 to reduce healthcare cost increases that include the following: moved from a 75% employer/25% employee contribution for health insurance premiums to a 70% employer/30% employee contribution; moved to self-funding the HMO and HSA Open Access POS Healthcare Plans; added a monthly surcharge for tobacco users; added a surcharge for non-Medicare B enrollment; increased the number of hours per week that must be worked to qualify for benefits eligibility from 20 hours/week to 30 hours/week; increased employee and retiree co-pays for HMO plans; increased deductibles, co-pays, and co-insurance for the Open Access POS and HAS Open Access POS plans; moved Medicare-eligible retirees to the Medicare D pharmacy plan; required Medicare eligible retirees to enroll in Medicare Part B for primary coverage; and changed retiree healthcare benefits for employees hired on or after January 1, 2013 to base the employer subsidy for retiree health contributions on years of service with the USG - for example, retirees with only 10 years of service will pay 85% of healthcare premium rates and the USG will pay 15%. This is applied on a sliding scale so that 30 years of service will be required in order to receive a full employer contribution for healthcare premiums.

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SIGNIFICANT CONTINGENT LIABILITIES

The State is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine governmental operations. The ultimate outcome of these proceedings is not presently determinable; however, it is not believed that any such outcome 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:

Phoenix Development v. Board of Regents

Phoenix Development and Land Investment, LLC v. Board of Regents, Athens-Clarke County Superior Court, Civil Case No. SU11CV0977, filed on June 30, 2011. The plaintiff, Phoenix Development and Land Investment ("Phoenix") purchased a tract of land which included property upon which the Board of Regents inadvertently had placed part of an inert landfill prior to Phoenix's purchase. Phoenix filed an action against the Board of Regents claiming trespass, nuisance and inverse condemnation, seeking damages in the amount of $16,000,000. The Board of Regents filed a counterclaim for quiet title to the disputed property. After several motions hearings, the court granted a motion to dismiss the tort claims, so that the only claim remaining to be tried is the inverse condemnation claim. Potential damages recoverable are the just and adequate compensation for the inverse claim, plus possible attorneys' fees and bad faith damages under O.C.G.A. § 13-6-11. This matter has been settled short of trial. The settlement remains in escrow at this time awaiting finalization of all required documents. All claims of all parties are dismissed.

Tibbles v. Teachers Retirement System of Georgia

Tibbles v. Teachers Retirement System of Georgia, et al., Supreme Court of Georgia Case No. S15A0366, November 6, 2014, transferred by Ga. Court of Appeals Case No. A15A0520, October 31, 2014, on appeal from Fulton County Superior Court Civil Case No. 2012-CV-223341, October 31, 2012. This is a proposed class action filed by a retired teacher ("Tibbles") who alleges that the Teachers Retirement System of Georgia ("TRS") has underpaid her monthly retirement benefit as well as those of the members of the purported class. The Superior Court of Fulton County (the "trial court") approved the parties' joint request to litigate first the question of whether there is any liability to Tibbles. Then, only upon a finding of liability would the parties litigate the issue of whether a class should be certified. The parties filed cross-motions for summary judgment on the initial issue of liability in December 2013, and the trial court heard oral arguments in April 2014. On June 19, 2014, the trial court granted the motion for summary judgment filed by TRS and its Board of Trustees members and denied the motion for summary judgment filed by Tibbles. Tibbles filed an appeal to the Georgia Court of Appeals, which was then administratively transferred to the Georgia Supreme Court for jurisdictional reasons. The Georgia Supreme Court heard oral argument on February 17, 2015. The case is pending before the Georgia Supreme Court. 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.

Georgia Power Co. v. Lynnette T. Riley

Georgia Power Company, et al. v. Lynnette T. Riley, Commissioner, Georgia Department of Revenue, Ga. Tax Tribunal Docket No. 1403540, July 26, 2013. Georgia Power seeks a refund of sales and use taxes allegedly paid on purchases of certain tangible personal property, which Georgia Power asserts to be subject to certain manufacturing-related sales and use tax exemptions. The total sales and use tax refund claimed by Georgia Power is in excess of $18,000,000. The Commissioner's position is that the machinery and equipment in question do not qualify for the sales tax exemption. The Georgia Tax

Tribunal conducted a trial in this case in November of 2014. The Tribunal ruled in favor of the Commissioner. Georgia Power has filed a petition for review in the Superior Court of Fulton County which is pending. 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.

Trecia Neal v. Georgia Department of Community Health

Trecia Neal, et al. v. Georgia Department of Community Health, Ga. Court of Appeals Case No. A15A1033, on appeal from Fulton County Superior Court Civil Case No. 2014-CV-246395, May 14, 2014. 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 to the Georgia Court of Appeals. The case has been fully briefed and oral argument is scheduled for June 9, 2015. A decision is not likely until fall 2015. 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.

SIGNIFICANT MATTERS

Interstate Water Disputes Among Georgia, Alabama and Florida

Background.

The State is 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.

ACF River Basin Litigation.

Several cases involving the federal reservoirs in the ACF River Basin were consolidated by the Judicial Panel on Multidistrict Litigation and assigned to U.S. District Judge Paul Magnuson in the M.D. Fla. District Court. The consolidated litigation was divided into two phases: Phase 1, dealing with the authority of the Corps to supply water from Lake Lanier to communities in North Georgia, and Phase 2, dealing with issues under the Endangered Species Act. After a series of procedural and substantive rulings, appeals in Phase 1 and Phase 2 reached the United States Court of Appeals for the Eleventh

Circuit (the "Eleventh Circuit"). The Phase 2 appeal was dismissed for mootness, leaving only the Phase 1 issues for decision by the Eleventh Circuit.

In an order issued on June 28, 2011, the Eleventh Circuit held, among other things, that (1) water supply is an authorized purpose of Lake Lanier under the River and Harbor Act of 1946 (the "1946 RHA"); (2) water supply is not subordinate to hydropower or other purposes under the 1946 RHA; (3) Congress contemplated in the 1946 RHA that water supply may have to be increased over time, at the expense of hydropower, as the metropolitan Atlanta area grows; (4) the 1946 RHA authorizes the Corps to reallocate storage from hydropower to water supply; and (5) the Water Supply Act of 1958 (the "WSA") supplies supplemental authority, in addition to the authority under the 1946 RHA, for the Corps to reallocate storage to water supply. *In Re: MDL 1824 Tri-State Water Rights Litigation*, 644 F.3d 1160 (11th Cir. 2011). The Eleventh Circuit directed the Corps to decide the extent to which it can reallocate storage to meet Georgia's present and future water supply needs in light of the Eleventh Circuit's holdings regarding interpretation of the 1946 RHA and the WSA. On June 26, 2012, the Corps determined that it possesses the legal authority to grant Georgia's water supply request in its entirety. The Corps is in the process of determining whether and to what extent it will grant Georgia's water supply request and of establishing revised operating procedures for the federal projects in the ACF River Basin. Although the Corps determined that there is no legal impediment to granting the State's water supply request, the Corps' operational decisions could be affected by a number of other considerations, including environmental factors. It is not possible at this time to predict the Corps' final decision or, in the event the decision is challenged, the outcome of any such challenge.

On October 1, 2013, the State of Florida filed a motion for leave to file a complaint in the U.S. Supreme Court against the State of Georgia, seeking an apportionment of the waters of the ACF River Basin. The Supreme Court has original and exclusive jurisdiction over suits directly between states. The suit challenges Georgia's use of the waters of the ACF Basin for municipal and industrial use and for agriculture. Among other things, the suit alleges that municipal and agricultural water consumption in the State has reduced flows in the ACF River Basin to a sufficient degree to harm Florida's oyster industry, among other harms. Georgia denies that its actions are responsible for harms suffered by Florida, if any. On November 3, 2014, the Supreme Court granted Florida's motion for leave to file an action seeking the equitable apportionment of the waters of the ACF River Basin. On November 19, 2014, the Supreme Court appointed a Special Master in this case with authority to fix the time and conditions for the filing of additional pleadings, to direct subsequent proceedings, to summon witnesses, to issue subpoenas, and to take such evidence as may be introduced and such as the Special Master deems it necessary to call for. The Special Master has issued a number of Case Management Orders establishing schedules for discovery and initial motions. It is not possible at this time to predict the duration or outcome of this litigation.

ACT River Basin Litigation.

The State of Georgia has submitted a request to the Corps for it to accommodate water supply needs from Lake Allatoona beyond those that can be met under existing storage contracts. Georgia has determined that, depending on how the Corps accounts for storage usage, local governments that now withdraw water from Lake Allatoona may need additional storage to accommodate current levels of withdrawal, as well as future demands. The Corps has stated that it is reviewing that request and has yet to make a determination whether it will grant the request. The Corps has also been in the process of establishing revised operating procedures for the federal projects in the ACT River Basin. On November 7, 2014, the Corps published the Final Environmental Impact Statement for Revised Water Control Manuals for the ACT River Basin. On November 7, 2014, the State of Georgia sued the Corps in the United States District Court for the Northern District of Georgia, alleging that the Corps unlawfully failed to prepare water control plans and manuals reflecting current operations in the ACT River Basin and that the Corps had unlawfully failed to respond to Georgia's water supply requests. Georgia also alleged that the Final Environmental Impact Statement failed to meet applicable legal standards. On May 4, 2015, the Corps issued a Record of Decision adopting the water control plans and manuals for the ACT River Basin. On May 4, 2015, the State of Georgia amended its complaint to allege that the Record of Decision failed to meet applicable legal standards. On May 7, 2015, the State of Alabama and Alabama Power also filed challenges in the District Court for the District of Columbia to the ACT Record of Decision, the Corps' water control manuals, and the Final Environmental Impact Statement, asserting that the Corps' actions were contrary to law. Those claims, if successful, could affect the Corps' operation of Lake Allatoona, including future water supply allocation and storage. It is not possible at this time to predict the duration or outcome of any of these cases.

Review of Medicaid Funding Arrangements for Nursing Facilities

During 2014, the United States Department of Health and Human Services Centers for Medicare & Medicaid Services ("CMS") conducted an onsite review of Georgia's nursing facility funding arrangements related to Medicaid for Fiscal Years 2010 and 2011. In December of 2014, CMS provided a draft report to the Department of Community Health ("DCH") indicating that CMS had determined 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 draft report included a demand for the return of such upper payment limit payments for fiscal years 2010 and 2011 in an aggregate amount of approximately $76,000,000 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 $94,000,000 for fiscal years 2012 and 2013. DCH has not made upper payment limit payments to such facilities since fiscal year 2013. DCH responded to the draft report from CMS in February of 2015 strongly contesting the proposed determination. To date, DCH has not received any further information from CMS regarding the draft report. It is impracticable to predict the outcome of this matter, but DCH expects to continue to vigorously assert its position contesting the proposed determination from CMS.

INSURANCE

The type and amounts of insurance that are carried by the various departments of the State and the State's agencies and authorities are specified through contracts between the Department of Administrative Services and each such department, agency or authority entered into pursuant to the provisions of O.C.G.A. Title 50, Chapter 5 and other sections of the Official Code of Georgia Annotated. See "APPENDIX B – STATE OF GEORGIA – Basic Financial Statements For Fiscal Year Ended June 30, 2014" "Notes to the Financial Statements – Note 17: Risk Management" herein.

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APPENDIX B

BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED
JUNE 30, 2014

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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

McIntosh Marsh
Betty Vaughn, Townsend, Georgia

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

State of Georgia

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2014

Prepared by:
State Accounting Office

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For the Fiscal Year Ended June 30, 2014

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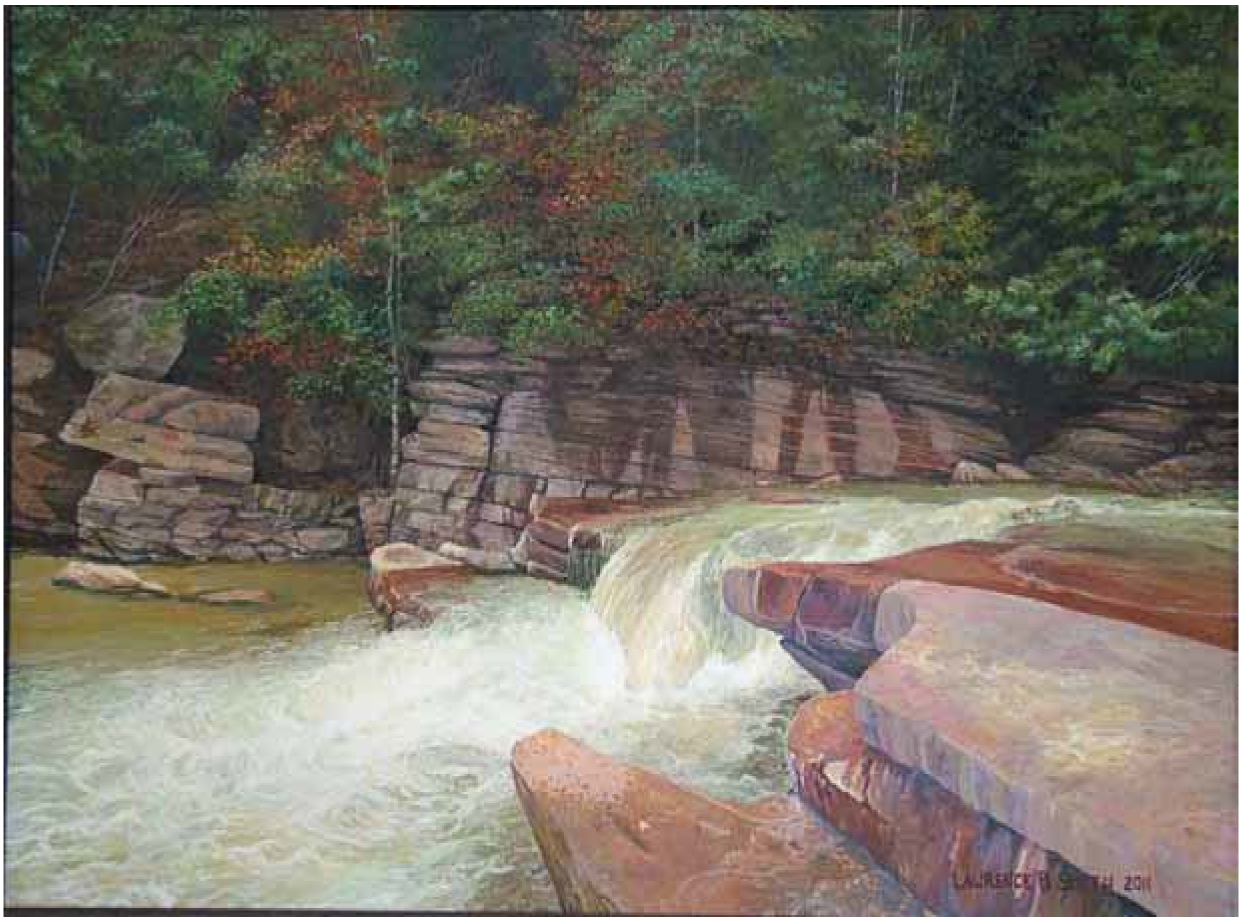
INTRODUCTORY SECTION



Tallulah River Rapids
Lawrence B. Smith, Statesboro, Georgia

Nathan Deal
Governor

Thomas Alan Skelton, CPA
State Accounting Officer

December 31, 2014

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 (the State) for the fiscal year ended June 30, 2014, in accordance with the Official Code of Georgia Annotated (OCGA), 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 Control

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 U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* 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 hub with one of the busiest airports in the nation. The State is the eighth largest state with an estimated population of 10 million people.

Reporting Entity

The Constitution of the State of Georgia (the 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 OCGA.

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, 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, and 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 2014 can be found in the separately issued Budgetary Compliance Report (BCR) dated November 20, 2014.

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 (the "Commission") issues its debt management plan ("the Plan") which provides a five-year projection of the State of Georgia's (the "State") 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 of the State (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

The state's fiscal year 2014 tax revenues were 5.1% greater than the prior year. Personal and corporate income taxes as well as the first full year of motor vehicle ad valorem tax revenues were the primary drivers of tax revenue increases. As a result of this revenue growth and conservative budget practices, the RSR increased by $305.9 million and has a current balance of $987.9 million prior to audited agency lapse of $66.6 million and prior to the appropriation of the 1% mid-year adjustment for K-12 in the amended fiscal year 2015 budget.

ECONOMIC FACTORS AND OUTLOOK

Introduction

Georgia's economy also 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, 2013. 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

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

LEGISLATIVE

General Assembly
- Senate
- House of Representatives

Legislative Agencies

Department of Audits and Accounts

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Principal State Officials
June 30, 2014

Executive:

Nathan Deal .... *Governor*

Brian P. Kemp .... *Secretary of State*

Sam Olens .... *Attorney General*

Mark Butler .... *Commissioner of Labor*

Dr. John D. Barge .... *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*


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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

STATE OF GEORGIA

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ACKNOWLEDGEMENTS

The Georgia Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014 was prepared by:

STATE ACCOUNTING OFFICE

Kris Martins, Director, Financial Reporting

STATEWIDE ACCOUNTING AND REPORTING

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Pamela Hintze
Metshet Ketsela
Dan Lawson
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Chris Morgan
Lori Ramsey
Andrea Randall
Troy Senter
Ellen K. Tate
Sandra Warr
Jennifer Williams
Keri Williams

SPECIAL APPRECIATION

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

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FINANCIAL SECTION

View of the Textile Mills from the Chattahoochee with Fishermen
Charles E. Earl, Hamilton, Georgia

DEPARTMENT OF AUDITS AND ACCOUNTS

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

Greg S. Griffin
STATE AUDITOR
(404) 656-2180

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 as of and for the year ended June 30, 2014, 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 Department of Community Health, Employees' Retirement System of Georgia, Georgia College & State University Foundation, Georgia Environmental Finance Authority, Georgia State Financing and Investment Commission, Georgia Housing and Finance Authority, Kennesaw State University Foundation, Inc., Georgia Lottery Corporation, MCG Health System, Inc., Medical College of Georgia Foundation, Inc., Georgia Ports Authority, Teachers Retirement System of Georgia, Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., Georgia Tech Research Corporation, University of Georgia Athletic Association, Inc., University of Georgia Foundation, Inc., University of Georgia Research Foundation, Inc., and University System of Georgia 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 major funds: governmental fund-general fund, governmental fund-general obligation bond projects fund, proprietary/enterprise fund-state health benefit plan 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%	24%
Business-type Activities	9%	20%
Aggregate Discretely Presented Component Units	86%	93%
Governmental Fund – General Fund	13%	21%
Governmental Fund – General Obligation Bond Projects Fund	99%	99%
Proprietary Fund/Enterprise Fund – State Health Benefit Plan	100%	100%
Aggregate Remaining Fund Information	87%	65%

Those statements were audited by other auditors whose reports 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 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 financial statements of Georgia College & State University Foundation, Kennesaw State University Foundation, Inc., Georgia Lottery Corporation, MCG Health System, Inc., Medical College of Georgia Foundation, Inc., Georgia Tech Athletic Association, Georgia Tech Facilities, Inc., Georgia Tech Foundation, Inc., University of Georgia Athletic Association, Inc., University of Georgia Foundation, Inc., and University System of Georgia Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 of Georgia. The Department of Audits and Accounts elected to not provide audit services for the organizational units of the State of Georgia associated with these boards. The Department of Audits and Accounts also has a contractual obligation with the Department of Community Health to conduct certain non-audit services.

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 of Georgia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2-B to the financial statements, in 2014, the State of Georgia implemented new accounting principles GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Our opinion is not modified with respect to these matters.

As discussed in Note 2-C and disclosed in Note 3 to the financial statements, the prior period financial statements have been restated to properly record Governmental Activities capital assets, net of depreciation. Our opinion is not modified with respect to this matter.

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 7 through 22, budgetary comparison information on pages 156 through 161, information on other postemployment benefits on page 162, claims development information for the public entity risk pool on page 163, and information on defined benefit pension plans on pages 164 through 171 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 have also issued our report dated December 31, 2014 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. 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

Greg S. Griffin
State Auditor

December 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS


STATE OF GEORGIA
CONSTITUTION
WISDOM
JUSTICE
MODERATION
1776

INTRODUCTION

This narrative overview and analysis of the financial activities of the State is for the fiscal year ended June 30, 2014. 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

Government-wide

- Total assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources by $22.3 billion (reported as "net position") and total net position increased $1.5 billion or 7.3% over the prior year, which includes a restatement of capital assets of $733.8 million. Net position of governmental activities (as restated) increased by $723.0 million or 5.0%, while the net position of business-type activities (as restated) increased by $788.2 million or 12.4%.

- During the fiscal year, the State's total revenues for governmental activities of $36.8 billion were $3.0 billion more than total expenses (excluding transfers) of $33.8 billion. General revenues, primarily attributable to various taxes, totaled $17.1 billion and program revenues, primarily attributable to operating grants and contributions, totaled $19.7 billion.

Fund Level

- The governmental funds reported combined ending fund balances of $6.1 billion, an increase of $595.9 million or 10.8% in comparison with the prior year. Of this total fund balance, $55.0 million or 0.9% represents nonspendable fund balance, $4.6 billion or 75.0% represents restricted fund balance, $3.2 million or 0.1% represents committed fund balance, $400.0 million or 6.5% represents assigned fund balance and $1.1 billion or 17.5% represents unassigned fund balance.

- The General Fund ended the fiscal year with a total fund balance of $4.8 billion, of which $1.1 billion was classified as unassigned fund balance. Total tax revenues in the General Fund increased by $267.6 million or 1.6% over the prior year, as the economy continued to show signs of improving.

- The enterprise funds reported a net position of $7.1 billion, an increase of $867.1 million or 13.9% compared to the prior year. The State Health Benefit Plan had the largest increase in enterprise fund net position, the reasons for which are discussed in the following financial analyses.

Long-term Debt

The State's long-term bond debt increased $798.5 million or 6.8% during the fiscal year which represents the net difference between new issuances, payments, and prior period adjustments. General obligation bonds for the primary government increased by $365.1 million or 4.0% while revenue bonds for the primary government increased $433.5 million or 16.0%. The State issued new bonded debt during the year in the amount of $1.2 billion for the primary government and $192.3 million for component units.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the State's Basic Financial Statements, Required Supplementary Information, and 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 Statement of Activities together comprise the government-wide financial statements. These statements are located in the Basic Financial Statements – Government-wide Financial Statements section 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, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, and how they 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 deteriorating. 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 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 much like private-sector businesses by charging fees to customers that are intended to recover all or a significant portion of their costs of providing goods and services. Unemployment Compensation Fund, the self-insured State Health Benefit Plan (SHBP), and the Higher Education Fund are some examples of business-type activities.

Component Units – Certain entities are legally separate from the State; however, the State remains financially accountable for them. 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. Similar to 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 entities 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 of 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 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 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.
- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Bond proceeds are recorded as long-term debt on the government-wide statements, but provide current financial resources on the governmental fund statements.

Notes to the Financial Statements

The Notes to the Financial Statements located at the end of the Basic Financial Statements section provide additional information that is 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, which is required supplementary information, the Basic Financial Statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements. This section of the report includes: (1) a budgetary comparison schedule of the General Fund (Budget Fund), including reconciliations of revenues and expenditures on the statutory and GAAP basis for the fiscal year, (2) the State's funding progress for other postemployment benefits, (3) information on the State's public entity risk pool and (4) schedules on the funded status and employer contributions for the State's defined benefit pension plans. Other supplementary information includes combining financial statements for the State's nonmajor governmental funds, nonmajor enterprise funds, internal service funds, fiduciary funds and nonmajor component units. The total columns of these combining 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 and liabilities and deferred inflows of resources, with the difference reported as net position. The State reported net position of $22.3 billion, comprised of $19.8 billion invested in capital assets net of related debt, and $5.0 billion in restricted net position, offset by an unrestricted net position deficit of $2.5 billion.

The following table was derived from the current and prior year government-wide Statements of Net Position. Current year restatements of prior year adjustments have not been reflected in the prior year column.

Table 1 - Net Position

As of June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Assets						
Non-capital Assets	$ 10,567,858	$ 10,205,165	$ 3,876,882	$ 3,224,425	$ 14,444,740	$ 13,429,590
Net Capital Assets	20,120,439	20,765,907	10,218,547	10,083,503	30,338,986	30,849,410
Total Assets	30,688,297	30,971,072	14,095,429	13,307,928	44,783,726	44,279,000
Deferred Outflows of Resources	236,307	-	45,684	7,610	281,991	7,610
Liabilities						
Noncurrent Liabilities	11,379,767	11,151,174	5,689,746	5,772,232	17,069,513	16,923,406
Current Liabilities	4,348,175	4,562,402	1,228,447	1,210,371	5,576,622	5,772,773
Total Liabilities	15,727,942	15,713,576	6,918,193	6,982,603	22,646,135	22,696,179
Deferred Inflows of Resources	419	-	100,772	77,884	101,191	77,884
Net Position						
Net Investment in Capital Assets	13,186,605	13,737,276	6,575,166	6,502,029	19,761,771	20,239,305
Restricted	3,653,903	3,301,316	1,367,598	816,428	5,021,501	4,117,744
Unrestricted	(1,644,265)	(1,781,096)	(820,616)	(1,063,406)	(2,464,881)	(2,844,502)
Total Net Position	$ 15,196,243	$ 15,257,496	$ 7,122,148	$ 6,255,051	$ 22,318,391	$ 21,512,547

Net position reported for governmental activities (as restated) increased by $723.0 million or 5.0% in fiscal year 2014. Unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was not significantly affected by current year restatements of prior year balances. Unrestricted net position for governmental activities had a deficit of $1.6 billion at June 30, 2014, down from $1.8 billion in 2013. The deficit in unrestricted governmental net position exists primarily because the State has issued debt for purposes not resulting in a capital asset related to State governmental activities. The unrestricted net position deficit decreased by $136.8 million in 2014 primarily due to increased tax revenues and relatively stable expenditures. The net investment in capital assets portion of net position for governmental activities (after restatements) decreased $183.1 million due to debt payments exceeding acquisitions of capital assets. Net investment in capital assets was the component of net position which was affected by the restatement of 2013 net position for the $733.8 million correction of prior year construction in progress balances. Additional information on this restatement can be found in Note 2 of the Notes to the Financial Statements section of this report.

The net position for business-type activities (as restated) increased by $788.2 million or 12.4% in fiscal year 2014. Restricted net position (prior to restatements) increased by $551.2 million or 67.5% primarily due to a decrease in unemployment compensation benefits of $524.7 million. The deficit in unrestricted net position (prior to restatements) decreased by $242.8 million, with a corresponding increase in net investment in capital assets of $73.1 million.

Changes in Net Position

The State received a majority (46.0%) of its revenues from operating grants and contributions, primarily from federal sources and 36.2% from taxes. In the prior year, operating grants and contributions were 47.8% and taxes accounted for 35.3% of total revenues. Charges for goods and services such as licenses, permits, liquor sales, park and court fees was 14.7% as compared to 13.3% in the prior fiscal year. Expenses for the State during fiscal year 2014 were $45.2 billion. As a result of the excess revenues over expenses, the total net position of the State (as restated) increased $1.5 billion, net of transfers.

The following schedule 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 2014. Current year restatements of prior year adjustments have not been reflected in the prior year column in the table below.

Table 2 - Changes in Net Position

For the Years Ended June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013 to 2014
Revenues:							
Program Revenues:							
Charges for Services	$ 3,723,646	$ 3,178,227	$ 3,139,705	$ 3,106,189	$ 6,863,351	$ 6,284,416	9.2%
Operating Grants/Contributions	14,780,822	15,317,258	6,695,670	7,251,162	21,476,492	22,568,420	-4.8%
Capital Grants/Contributions	1,239,876	1,310,696	36,664	90,665	1,276,540	1,401,361	-8.9%
General Revenues:							
Taxes	16,912,914	16,645,352	-	-	16,912,914	16,645,352	1.6%
Unrestricted Investment Income	4,995	323	-	-	4,995	323	1446.4%
Unclaimed Property	148,129	138,832	-	-	148,129	138,832	6.7%
Other	12,112	126,862	-	-	12,112	126,862	-90.5%
Total Revenues	36,822,494	36,717,550	9,872,039	10,448,016	46,694,533	47,165,566	-1.0%
Expenses:							
General Government	1,658,846	1,606,626	-	-	1,658,846	1,606,626	3.3%
Education	10,788,262	10,770,532	-	-	10,788,262	10,770,532	0.2%
Health and Welfare	16,107,840	16,033,221	-	-	16,107,840	16,033,221	0.5%
Transportation	1,845,850	1,656,662	-	-	1,845,850	1,656,662	11.4%
Public Safety	2,002,615	2,012,501	-	-	2,002,615	2,012,501	-0.5%
Economic Development and Assistance	510,338	515,874	-	-	510,338	515,874	-1.1%
Culture and Recreation	247,170	240,018	-	-	247,170	240,018	3.0%
Conservation	37,002	51,038	-	-	37,002	51,038	-27.5%
Interest and Other Charges on Long-term Debt	592,668	616,328	-	-	592,668	616,328	-3.8%
Higher Education Fund	-	-	7,984,962	7,931,918	7,984,962	7,931,918	0.7%
State Health Benefit Plan	-	-	2,032,910	2,193,829	2,032,910	2,193,829	-7.3%
Unemployment Compensation Fund	-	-	1,152,763	1,858,989	1,152,763	1,858,989	-38.0%
Nonmajor Enterprise Funds	-	-	229,630	191,949	229,630	191,949	19.6%
Total Expenses	33,790,591	33,502,800	11,400,265	12,176,685	45,190,856	45,679,485	-1.1%
Increase (Decrease) in Net Position Before Contributions and Transfers	3,031,903	3,214,750	(1,528,226)	(1,728,669)	1,503,677	1,486,081	
Contributions to Permanent Endowments	-	-	7,522	1,231	7,522	1,231	
Transfers	(2,308,895)	(2,377,595)	2,308,895	2,377,595	-	-	
Change in Net Position	723,008	837,155	788,191	650,157	1,511,199	1,487,312	
Net Position July 1 - Restated	14,473,235	14,420,341	6,333,957	5,604,894	20,807,192	20,025,235	
Net Position June 30	$ 15,196,243	$ 15,257,496	$ 7,122,148	$ 6,255,051	$ 22,318,391	$ 21,512,547	3.7%

Governmental Activities

The State's total governmental revenues from all sources increased $104.9 million or 0.3%. Charges for Services increased $545.4 million or 17.2%, primarily due to a change in the motor vehicle ad valorem tax law. Operating and capital grants and contributions decreased a total of $607.3 million or 3.7%. Tax revenues increased $267.6 million or 1.6% as a result of increased personal and corporate income tax and insurance premiums taxes.

The following table shows to what extent program revenues (charges for services and grants) covered program expenses. For fiscal year 2014, program revenues covered $19.7 billion or 58.4% of $33.8 billion in total program expenses. For the remaining $14.0 billion or 41.6% of the total program expenses, the State relied on state taxes and other general revenues.

Table 3 – Net Program Revenue

For the Years Ended June 30, 2014 and 2013 (in thousands)

	Program Expenses	Less Program Revenues	Net Program (Expense) / Revenue		Program Revenues as a Percentage of Program Expenses	
	2014	2014	2014	2013	2014	2013
Functions/Programs						
Primary Government						
Governmental Activities:						
General Government	$ 1,658,846	$ 3,340,900	$ 1,682,054	$ 1,113,813	201.4%	169.3%
Education	10,788,262	2,178,683	(8,609,579)	(8,329,415)	20.2%	22.7%
Health and Welfare	16,107,840	12,088,136	(4,019,704)	(3,769,638)	75.0%	76.5%
Transportation	1,845,850	1,295,994	(549,856)	(334,500)	70.2%	79.8%
Public Safety	2,002,615	310,352	(1,692,263)	(1,667,116)	15.5%	17.2%
Economic Development and Assistance	510,338	301,034	(209,304)	(27,469)	59.0%	94.7%
Culture and Recreation	247,170	214,840	(32,330)	(33,210)	86.9%	86.2%
Conservation	37,002	14,405	(22,597)	(32,756)	38.9%	35.8%
Interest and Other Charges on Long-Term Debt	592,668	-	(592,668)	(616,328)	0.0%	0.0%
Total Governmental Activities	$ 33,790,591	$ 19,744,344	$ (14,046,247)	$ (13,696,619)	58.4%	59.1%

Business-Type Activities

Net position of business-type activities (as restated) increased by $788.2 million or 12.4% during the fiscal year. Operating revenues from the State's business-type activities decreased $576.0 million or 5.5% from the prior year. This was primarily due to a decrease in revenue from operating grants and contributions, which include federal emergency unemployment compensation. Total operating expenses for the State's business-type activities decreased $776.4 million or 6.4%. This decrease is attributable to lower expenses in the Unemployment Compensation Fund due to the unemployment rate in Georgia having decreased from 8.4% in June 2013 to 7.4% in June 2014, resulting in the ending of the federally mandated Emergency Unemployment Compensation Program. This decrease is also due to decreases in spending in the State Health Benefit Plan (SHBP). Since 2012, SHBP has implemented a variety of cost containment and revenue enhancement strategies to ensure fund balances are sufficient to cover the SHBP's incurred but not reported expense and excess claims or other unanticipated costs.

In fiscal year 2014, business-type activities expenses were funded 86.6% or $9.9 billion from program revenues compared to 85.8% or $10.4 billion in the prior year. The remaining expenses were funded by $2.2 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, 2014, the State's governmental funds reported combined ending fund balance of $6.1 billion. Of this amount, $55.0 million or 0.9% is nonspendable, either due to its form or legal constraints, and $4.6 billion or 75.0% is restricted for specific programs by constitutional provisions, external constraints, or contractual obligations. Net position that is restricted by the Constitution principally includes motor fuel taxes that can be used only to build roads and bridges and lottery funds held for education purposes. Restrictions by external parties include general obligation bonds that can only be used for authorized capital projects. Additionally, $3.2 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 Governor. An additional $400.0 million or 6.5% of total fund balance has been assigned to specific purposes, as expressed by the intent of State management. The remaining $1.1 billion or 17.5% of fund balance is unassigned.

General Fund

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund reflected a total fund balance of $4.8 billion. The net change in fund balance during the fiscal year was $425.4 million or 9.7% compared to $693.9 million or 18.7% net change in the prior year. This increase is primarily due to increased tax collections related to the State's continuing economic recovery. The General Fund ended the year with an unrestricted, unassigned fund balance of $1.1 billion.

Major revenue, expenditure and other sources/uses contributing to the change in fund balance are as follows:

Revenues

Revenues of the General Fund totaled $36.5 billion in the fiscal year, an increase of $28.3 million or 0.1% from the prior year. Factors contributing to this change included the following:

- Fines and Forfeits decreased by $161.2 million or 26.5% from the prior year. The decrease is the result of the one-time receipt of National Mortgage Settlement funds in the prior year and a reduction in the amount of Tobacco Settlement Funds received in the current year.
- Federal Revenues decreased by $579.3 million or 3.6% from the prior year. The decrease is attributable to a change in the methodology for grant accruals at the Department of Education and a reduction in the number of households receiving Supplemental Nutrition Assistance Program benefits due to the end of enhanced benefits under the American Recovery and Reinvestment Act of 2009 administered by the Department of Human Services.
- Taxes increased $267.6 million or 1.6% from the prior year as a result of increased personal and corporate income tax and insurance premium taxes.
- Licenses and Permits increased by $633.6 million or 84.1% from the prior year primarily due to a change in the motor vehicle ad valorem tax law.

Expenditures

Expenditures of the General Fund totaled $32.6 billion in the fiscal year, which is consistent with the prior year.

Capital Project Fund - General Obligation Bond Projects Fund

Fund balance in the General Obligation Bond Projects Fund increased by $14.1 million or 1.4% from the prior year. This was primarily the result of general revenues, debt issuances, and transfers in exceeding capital expenditures and transfers out. The State issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Higher Education

The net position of the Higher Education Fund decreased $87.9 million or 1.4% compared to the prior year, before restatements. Net Investment in Capital Assets increased by $89.0 million or 1.4%. Restricted net position increased $2.1 million due to an increase in Capital Projects and Permanent Trusts. The unrestricted net position deficit increased by $178.9 million. The overall decrease in net position and the increase in the unrestricted net position deficit, in particular, are primarily attributable to an increase in Other Postemployment Benefit Obligation liabilities. Operating revenues of the Fund increased $76.3 million or 1.7% due to increases in net student tuition and fees revenue of $62.0 million and sales and services of $39.8 million. In addition, the Higher Education Fund received $2.2 billion in transfers in from the General Fund, an increase of $134.3 million or 6.5% compared to the prior year. Fiscal year 2014 operating expenses increased $214.1 million or 2.8% compared to the prior year. This increase was due to increased employer costs for employee benefits and increased outlays for supplies and other services.

State Health Benefit Plan

Operating revenues for SHBP increased by $92.2 million and operating expenses decreased by $160.9 million. As previously discussed, this significant decrease in expenses resulted in the improvement of SHBP net position from a deficit of $129.7 million to a surplus of $266.4 million.

Unemployment Compensation

As previously discussed, the State's average unemployment rate for the fiscal year 2014 improved from 8.7% to 7.6%. As a result, fewer claims were submitted and benefit payments decreased $706.2 million or 38.0% this year compared to last fiscal year. Due to this small improvement in the economy, employer unemployment rates were reduced and the corresponding federal revenue and unemployment tax revenue decreased by $493.8 million or 22.8%. Employer taxes and other revenues exceeded benefit payments by $524.7 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's capital assets (as restated) increased a net $222.5 million or 0.7% during the year. The change consisted of a net decrease in infrastructure of $233.1 million, net increases in land, buildings, and machinery and equipment and construction in progress of $171.5 million, $1.0 million, $37.8 million and $209.1 million, respectively. Construction in progress was restated by $733.8 million for a prior year correction. Additional information on this restatement can be found in Note 2 of the Notes to the Financial Statements section of this report.

At June 30, 2014, the State had general fund commitments of $2.2 billion and capital project fund commitments of $55.0 million for highway infrastructure and bridge construction. In addition, the State Road and Tollway authority had $582.0 million of commitments, the majority of which is for the I-75 Northwest Corridor Express Lane Project, and the Board of Regents had $164.8 million for various construction and renovation contracts.

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

Current year restatements of prior year adjustments have not been reflected in the prior year column in the table below.

Table 4 - Capital Assets, Net of Accumulated Depreciation

As of June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Buildings/Building Improvements	$ 1,997,429	$ 2,040,280	$ 6,316,349	$ 6,243,780	$ 8,313,778	$ 8,284,060
Improvements Other Than Buildings	64,577	55,146	250,328	255,079	314,905	310,225
Infrastructure	11,612,198	11,853,096	225,782	210,149	11,837,980	12,063,245
Intangibles - Other Than Software	113,056	94,492	-	-	113,056	94,492
Land	3,563,196	3,410,333	430,922	411,910	3,994,118	3,822,243
Library Collections	-	-	177,130	172,064	177,130	172,064
Machinery and Equipment	199,286	212,978	2,545,693	2,505,760	2,744,979	2,718,738
Software	55,714	67,804	25,440	10,558	81,154	78,362
Works of Art and Collections	1,326	1,326	51,419	51,004	52,745	52,330
Construction in Progress	2,513,657	3,030,452	195,484	223,199	2,709,141	3,253,651
Total	**$ 20,120,439**	**$ 20,765,907**	**$ 10,218,547**	**$ 10,083,503**	**$ 30,338,986**	**$ 30,849,410**

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, when due, all debt service payments, 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, 2014, the State was $633.0 million below the annual debt service limit established by the Constitution.

(Table on next page)

Current year restatements of prior year adjustments have not been reflected in the prior year column in the table below.

Table 5 - Net Outstanding Bond Debt
As of June 30, 2014 and 2013 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	$ 9,437,844	$ 9,072,784	$ -	$ -	$ 9,437,844	$ 9,072,784
GARVEE Revenue Bonds	949,811	1,095,153	-	-	949,811	1,095,153
Revenue Bonds	417,257	408,772	1,781,514	1,211,200	2,198,771	1,619,972
	$ 10,804,912	$ 10,576,709	$ 1,781,514	$ 1,211,200	$ 12,586,426	$ 11,787,909

At the end of the fiscal year, the State had total bonded debt outstanding of $12.6 billion. Of this amount $11.6 billion (not including premiums and discounts) or 92.5% is secured by the full faith and credit of the government (general obligation bonds and guaranteed revenue bonds), and $949.8 million or 7.5% in State Road and Tollway Authority GARVEE debt secured by Federal Highway funds and state motor fuel funds.

Total general obligation bonds and revenue bonds payable net of premiums and discounts increased $365.1 million or 4.0% and increased $433.5 million or 16.0% respectively. During the fiscal year, the State issued $857.7 million of general obligation bonds. Of the general obligation bonds issued, $394.5 million was issued for higher education facilities, $228.8 million was used for K-12 school facilities, $24.3 million for water and sewer loans to local governments, $50.0 million for projects and facilities of the Georgia Ports Authority, and $160.1 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 8 of the Notes to the Financial Statements section.

BUDGETARY HIGHLIGHTS

2014 Budget Highlights

Fiscal year 2014 marked the fourth consecutive year of positive revenue performance for the State following the Great Recession. The fiscal year 2014 budget of $41.0 billion included funds to meet growth needs in annual required contributions for pensions as well as in K-12 education and healthcare, driven largely by increased enrollment in K-12 and additional costs associated with the Patient Protection and Affordable Care Act. In addition to meeting growth needs in mandatory spending, the 2014 budget also provided targeted economic assistance to local communities across the state still recovering from the economic downturn.

The amended budget increased authorized spending to $41.4 billion and included $183 million in funds available from the Revenue Shortfall Reserve (RSR) for the 1% mid-year adjustment for K-12. The amended budget also included additional funds for Forestland Protection Grants, which reimburses counties, municipalities, and school systems whose tax digests are negatively impacted by tax-exempt dedicated forestland, and the Regional Economic Business Assistance program and OneGeorgia Authority's economic development grant and loan funds, which aim to attract and retain businesses to local communities.

The final 2014 budget totaled $46.0 billion, an increase of $5 billion from the original budget. The increases were the result of three primary occurrences. First, the Department of Transportation (DOT) recognized $1.2 billion in state motor fuel funds brought forward from prior budget year(s), which are restricted by the Constitution for construction of roads and bridges, and do not lapse to the state treasury if unspent. Secondly, additional federal revenues of $2.3 billion were recognized in the final budget by several organizations within the State. Finally, organizations within the State recognized $1.1 billion of additional other revenues.

Actual budget results totaled $42.6 billion with a final budget to actual favorable variance of approximately $3.4 billion. A majority of this variance is not subject to lapse to the state treasury and therefore can be used in future budget years. More specifically, motor fuel revenues at DOT and federal grants represent $1.1 billion and $841.6 million of this total, respectively.

Fiscal Performance

Georgia revenue growth exceeded planned growth in 2014

Tax revenue collections were up 5.1% and total net revenue collections of $19.2 billion were up 4.8% over fiscal year 2013, exceeding the revenue estimate by 1.4%, and enabling the State to add to the RSR. As of June 30, 2014, the RSR has a balance of $1.1 billion, prior to the allowance for the 1% mid-year adjustment for K-12 in the amended fiscal year 2015 budget and after the lapse of additional fiscal year 2014 agency surplus.

Net Revenue Collections deposited with the Office of the State Treasurer during fiscal year 2014 were $369.5 million more than the initial revenue estimate per budget. Of the major tax sources, motor vehicle taxes/motor vehicle ad valorem taxes, corporate income tax and personal income tax were the largest components of overall tax growth at $621.9 million or 135.9%, $146.6 million or 18.4%, and $193.3 million or 2.2%, respectively. The large increase in motor vehicle taxes/motor vehicle ad valorem taxes is due to the change in the motor vehicle ad valorem tax laws.

State Funds Revenues Compared to Budget
As of June 30, 2014 and 2013 (in thousands)

	FY 2013 Actual	FY 2014 Budget	FY 2014 Actual	% Change to FY 2013 Actual	FY 2015 Budget	% Change to FY 2014 Actual
Tax Revenues						
Personal Income Tax	$ 8,772,227,404	$ 9,004,728,000	$ 8,965,572,421	2.20%	$ 9,536,657,000	6.37%
Corporate Income Tax	797,255,429	816,831,000	943,806,441	18.38%	846,667,000	-10.29%
Sales and Use Tax	5,277,211,183	5,053,333,000	5,125,501,785	-2.87%	5,258,817,000	2.60%
Motor Fuel Tax	1,000,625,732	993,446,900	1,006,493,364	0.59%	1,001,444,100	-0.50%
Tobacco Tax	211,618,073	217,615,700	216,640,134	2.37%	213,874,800	-1.28%
Alcoholic Beverages Tax	180,785,957	182,413,000	181,874,583	0.60%	183,054,700	0.65%
Property Tax	53,491,655	34,235,000	38,856,854	-27.36%	17,117,500	-55.95%
Insurance Premium Tax	329,236,920	333,775,422	372,121,805	13.03%	342,098,275	-8.07%
Motor Vehicle Tax	457,490,366	325,214,799	337,455,825	-26.24%	333,125,000	-1.28%
Motor Vehicle Ad Valorem Tax	-	733,000,000	741,933,576	0.00%	744,646,000	0.37%
Estate Tax	(15,351,947)	-	-	-100.00%	-	0.00%
Total Tax Revenues	17,064,590,773	17,694,592,821	17,930,256,787	5.07%	18,477,501,375	3.05%
Fees and Sales	1,231,267,815	1,225,123,022	1,237,549,854	0.51%	1,249,330,117	0.95%
Total State Funds Revenues	$ 18,295,858,588	$ 18,919,715,843	$ 19,167,806,641	4.77%	$ 19,726,831,492	2.92%

Revenue Shortfall Reserve (RSR)

The State maintains the 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. 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.

As the State continues to address the effects of one of the worst economic downturns in recent history, the ending balance in the RSR is a critical tool in helping to address budget shortfalls. After reaching a peak in fiscal year 2007 at $1.7 billion (9.2% of net revenue collections), the State's RSR balance declined to a low of $268.2 million (1.8% of net revenue collections) in fiscal year 2010. The RSR increased to $494.0 million in 2011, $550.7 million in 2012, and $900.3 million in 2013. In 2014, the RSR increased by $154.2 million and has a current balance of $1.1 billion including audited agency lapse (approximately $66.6 million). The increase to the RSR was accomplished due to revenue collections exceeding revenue estimates ($248.1 million), reduction of agency allotment balances, and return of unexpended and unobligated funds by agencies. By statute, 1% of fiscal year 2014 net revenue collections ($191.7 million) is available from the RSR for the mid-year K-12 education appropriation adjustment in the Amended fiscal year 2015 budget. However, this amount had not been appropriated as of the date of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal Year 2015 Budget Highlights

The current 2015 revenue estimate assumes General Fund growth of 4.3% over the amended 2014 revenue estimate. Based on the better than planned revenue growth in fiscal year 2014, fiscal year 2015 would need only 2.9% growth in General Fund collections to reach the fiscal year 2015 revenue estimate.

The fiscal year 2015 budget includes funds to meet mandatory growth needs in pensions, education, and healthcare with no broad based reductions to agency budgets. The fiscal year 2015 budget also includes substantial increases in funding for K-12 education over and above enrollment growth requirements. The budget includes over $500 million in new funding for K-12 education to address school systems' most pressing needs. Additionally, the budget includes funds for statewide infrastructure needs, notably completing funding for the state's share of the Savannah Harbor Expansion Project and providing increased funding for water supply projects across the state. Finally, the budget included funds to provide merit pay increases to State employees for the first time since fiscal year 2008.

Year-to-date revenue performance exceeds projections

Georgia's fiscal year 2015 YTD tax revenue collections reported by the Department of Revenue are, through October, up 5.0% over the same period for fiscal year 2014 tax revenue. Total State General Funds collections are running ahead of budgeted growth (5.5% actual vs. 2.9% budget). Individual income tax, which is the largest component of General Fund revenues, is up 5.0%.

Economic Highlights

U.S. economic recovery continues apace with risks balanced between upside and downside

The U.S. economy began its recovery from the Great Recession mid-year 2009. Overall, the pace of recovery has been modest, especially in comparison to the sharp decline in economic activity experienced during the Great Recession. GDP growth has been supported primarily by growth in consumer spending and residential and non-residential investment.

Offsetting some of this private sector growth has been declines in government economic activity. State and local governments decreased spending when revenues fell during the Great Recession as they are subject to balanced budget requirements. However, State and local revenues are now growing again. Tightening of federal spending and tax policies planned under recent federal budget agreements has largely been accomplished. Thus, the drag on growth from government has largely waned and overall GDP growth should pick up assuming the private sector growth continues at its post-recession pace.

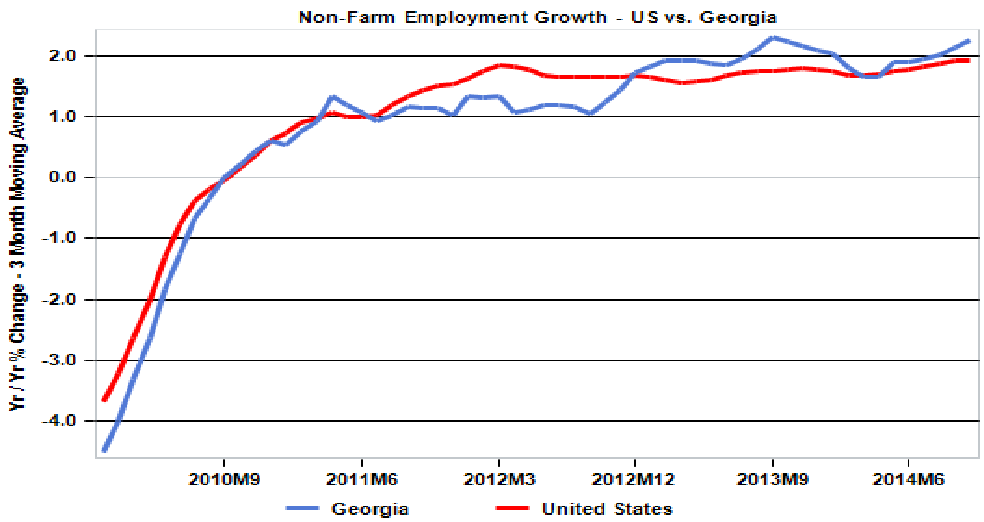
Georgia's economy also is experiencing a moderate recovery with growth in employment, home prices, and residential construction permits. While a moderate economic recovery is expected to continue, Georgia's economic growth is expected to generally follow in line with U.S. growth.

Risks to the current recovery are reasonably balanced to the upside and downside. Continued labor market growth would be expected to support faster consumer spending growth, particularly if tightening of labor markets leads to faster compensation growth. Demographic trends and multiple years of below trend home building make it likely that residential investment will pick up; again boosting economic growth.

Employment Situation

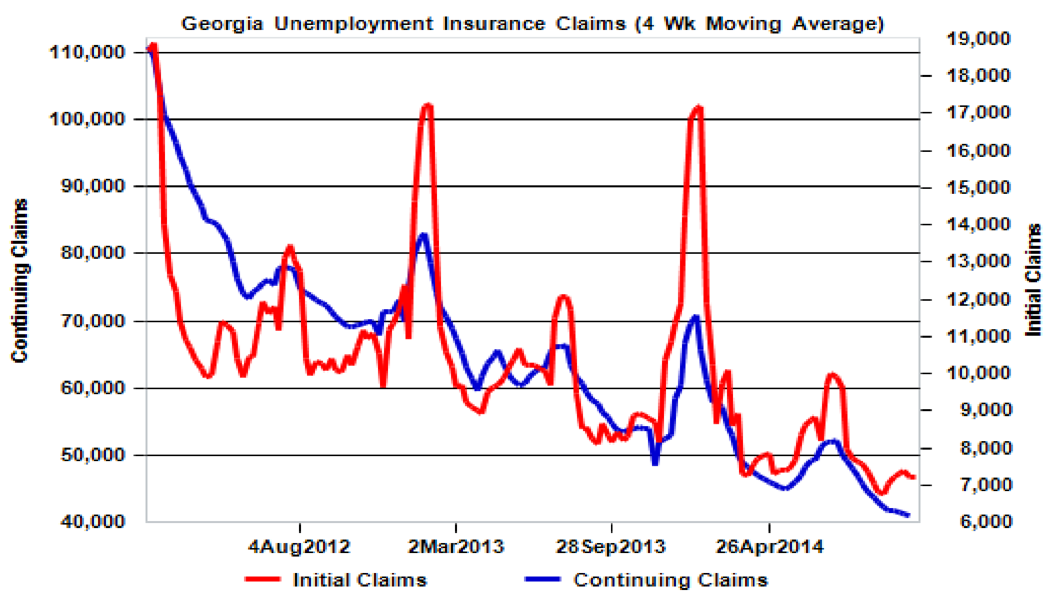
- As of October 2014, U.S. labor market growth is running at 224,000 new jobs per month and the U.S. unemployment rate is 5.8%.
- Through October 2014, Georgia is adding about 10,500 new jobs per month averaged over the last three months and added about 95,400 net new jobs over the last twelve months. Year over year employment growth in Georgia equals 2.3% on a three month moving average basis as of October. Georgia's employment growth rate exceeds the U.S. rate of 1.9%. Georgia's unemployment rate of 7.7% is higher than the national rate.

(Graph on next page)



Unemployment Insurance Claims

- Initial unemployment insurance claims reflect an improving labor market in the U.S. and in Georgia. Initial claims are well below year ago levels and running in line with levels experienced prior to the Great Recession.



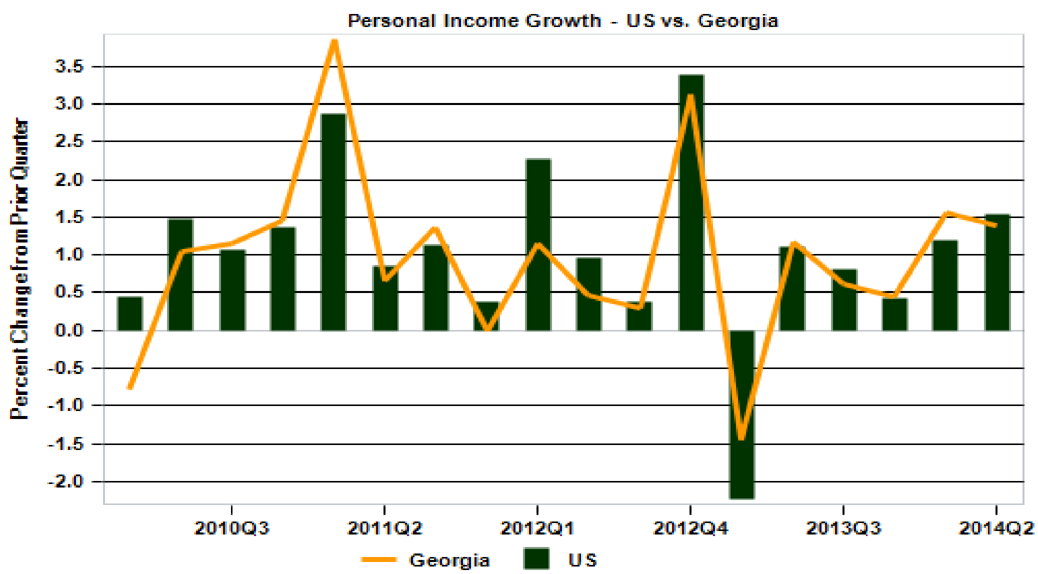
Georgia Employment Detail

- None of the ten industry sectors in Georgia are showing positive year over year job growth on a three month moving average basis. Construction, professional and business services; leisure and hospitality; and manufacturing are the leaders in job growth.
- Georgia's construction and finance sectors were hit very hard by the downturn in housing during the Great Recession. Employment in the construction sector has bounced back and is growing at 5.6% year over year as of October. Employment in the finance sector is also growing.

- Employment growth is reasonably diversified across metro areas in the state. The Atlanta metro area ranks second among all Georgia metro areas with year over year growth averaging 2.3%. Twelve of the fourteen metro areas tracked are seeing positive growth and two metro areas are seeing small year over year declines.

Georgia Personal Income

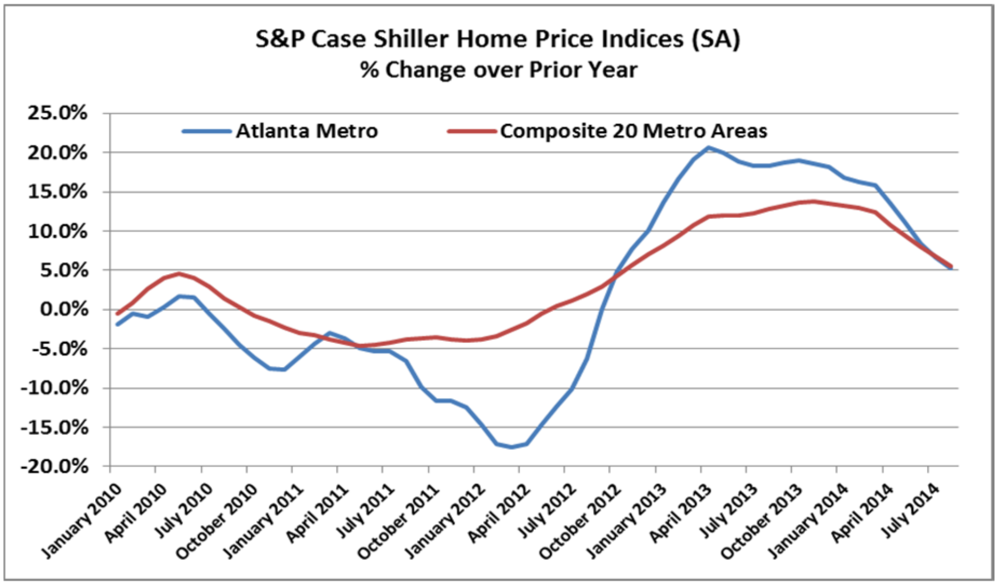
- Georgia total personal income has grown over the prior quarter for sixteen of the last eighteen quarters. While growth in Georgia's total personal income has been moderate, it has generally been in line with growth in U.S. total personal income.



Georgia Housing Market

- Georgia's residential housing market experienced a sharp contraction leading up to and during the Great Recession. Home prices, home sales and new construction declined while foreclosures climbed. These indicators have improved with the economic recovery in the U.S. and Georgia. Foreclosure rates have dropped, new residential permits issued are up and home values are up. While still below peaks reached prior to the Great Recession, Atlanta metro home prices are running ahead of year ago levels and in line with the escalation in the composite price index for 20 metro areas across the country.

(Graph on next page)



Amended Fiscal Year 2015 and Fiscal Year 2016 Budget

The economy has previously sent signals of more rapid growth only to fall back at several points during the recovery. Consequently, Georgia will maintain the same cautious approach used in the amended 2014 and fiscal year 2015 budgets: setting conservative revenue estimates, no significant changes in revenues for the amended budget, focusing on funding growth needs in core spending areas of education and healthcare, and meeting the full annual required contributions for the State's pension funds.

The current enacted fiscal year 2015 budget requires General Fund revenue growth of 2.9% over actual fiscal year 2014 revenues. Revenue performance for the fiscal year to date has exceeded the original budget target and the current growth requirement, and it is expected that continued economic growth will be sufficient to meet mandatory growth obligations in education, healthcare, and pensions while maintaining funding for other core state services. Therefore, budget instructions issued in July for amended fiscal year 2015 and fiscal year 2016 budget contained no mandatory budget reductions but required state agencies to maintain current levels of funding.

The Governor must submit his budget recommendations to the General Assembly in early January 2015 and the State will continue to monitor revenue trends and economic and political events to factor into potential adjustments to the revenue estimates.

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

STATE OF GEORGIA

CONSTITUTION

WISDOM JUSTICE MODERATION

1776

Statement of Net Position
June 30, 2014
(dollars in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 2,919,784	$ 2,610,256	$ 5,530,040	$ 1,675,336
Investments	3,247,720	364,363	3,612,083	2,621,498
Receivables (Net)	3,781,620	698,455	4,480,075	3,398,916
Due from Primary Government	-	-	-	2,646
Due from Component Units	82,264	123,746	206,010	-
Internal Balances	277,641	(277,641)	-	-
Inventories	45,750	30,150	75,900	28,165
Prepaid Items	30,792	73,211	104,003	30,014
Other Assets	1,863	48,538	50,401	286,826
Restricted Assets				
Cash and Cash Equivalents	180,424	125,181	305,605	203,557
Investments	-	80,623	80,623	964,905
Receivables (Net)	-	-	-	934,756
Capital Assets				
Nondepreciable	6,190,991	671,431	6,862,422	508,685
Depreciable (Net of Accumulated Depreciation)	13,929,448	9,547,116	23,476,564	1,772,569
Total Assets	30,688,297	14,095,429	44,783,726	12,427,873
Deferred Outflows of Resources	236,307	45,684	281,991	40,495
Liabilities				
Accounts Payable and Accrued Liabilities	2,295,546	289,594	2,585,140	282,715
Due to Primary Government	-	-	-	206,010
Due to Component Units	873	1,773	2,646	-
Benefits Payable	874,800	231,870	1,106,670	-
Accrued Interest Payable	179,292	613	179,905	5,264
Contracts Payable	133,155	15,355	148,510	18,946
Funds Held for Others	99,628	100,832	200,460	3,518
Unearned Revenue	123,165	520,314	643,479	201,184
Claims and Judgments Payable	582,538	-	582,538	4,295
Other Liabilities	59,178	68,096	127,274	981,641
Noncurrent Liabilities:				
Due within one year	1,085,573	222,068	1,307,641	201,355
Due in more than one year	10,294,194	5,467,678	15,761,872	3,101,687
Total Liabilities	15,727,942	6,918,193	22,646,135	5,006,615
Deferred Inflows of Resources	419	100,772	101,191	-
Net Position				
Net Investment in Capital Assets	13,186,605	6,575,166	19,761,771	1,569,036
Restricted for:				
Bond Covenants/Debt Service	-	1,270	1,270	113,038
Capital Projects	-	82,540	82,540	-
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003	-
Loan and Grant Programs	-	-	-	1,484,955
Lottery for Education	856,156	-	856,156	-
Motor Fuel Tax Funds	1,956,961	-	1,956,961	-
Permanent Trusts:				
Nonexpendable	14	283,496	283,510	1,214,660
Expendable	-	414,472	414,472	1,319,075
Unemployment Compensation Benefits	-	585,820	585,820	-
Other Purposes	786,769	-	786,769	62,020
Unrestricted	(1,644,265)	(820,616)	(2,464,881)	1,698,969
Total Net Position	$ 15,196,243	$ 7,122,148	$ 22,318,391	$ 7,461,753

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

Statement of Activities
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

		Program Revenues		
	Expenses	Sales and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
General Government	$ 1,658,846	$ 2,770,681	$ 570,038	$ 181
Education	10,788,262	12,587	2,166,096	-
Health and Welfare	16,107,840	562,606	11,525,213	317
Transportation	1,845,850	25,399	47,599	1,222,996
Public Safety	2,002,615	154,324	147,137	8,891
Economic Development and Assistance	510,338	63,878	237,156	-
Culture and Recreation	247,170	130,449	77,194	7,197
Conservation	37,002	3,722	10,389	294
Interest and Other Charges on Long-Term Debt	592,668	-	-	-
Total Governmental Activities	33,790,591	3,723,646	14,780,822	1,239,876
Business-type Activities:				
Higher Education	7,984,962	2,993,298	2,497,411	36,127
State Health Benefit Plan	2,032,910	-	2,429,079	-
Unemployment Compensation	1,152,763	-	1,677,450	-
Other Business-type Activities	229,630	146,407	91,730	537
Total Business-type Activities	11,400,265	3,139,705	6,695,670	36,664
Total Primary Government	$ 45,190,856	$ 6,863,351	$ 21,476,492	$ 1,276,540
Component Units				
Georgia Environmental Finance Authority	$ 34,472	$ 44,366	$ 75,037	$ -
Georgia Housing and Finance Authority	154,833	66,102	95,922	-
Georgia Lottery Corporation	3,752,757	3,750,864	-	-
Georgia Ports Authority	243,253	310,599	822	10,853
Georgia Tech Foundation, Incorporated	101,701	14,247	243,950	-
Georgia Tech Research Corporation	611,076	10,028	603,816	-
Nonmajor Component Units	1,447,934	983,894	586,535	4,936
Total Component Units	$ 6,346,026	$ 5,180,100	$ 1,606,082	$ 15,789

General Revenues:
- Taxes
  - Personal Income Taxes
  - General Sales Taxes
  - Other Taxes
- Unrestricted Investment Income
- 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 - Beginning - Restated (Note 3)

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 1,682,054		$ 1,682,054	
(8,609,579)		(8,609,579)	
(4,019,704)		(4,019,704)	
(549,856)		(549,856)	
(1,692,263)		(1,692,263)	
(209,304)		(209,304)	
(32,330)		(32,330)	
(22,597)		(22,597)	
(592,668)		(592,668)	
(14,046,247)		(14,046,247)	
	$ (2,458,126)	(2,458,126)	
	396,169	396,169	
	524,687	524,687	
	9,044	9,044	
	(1,528,226)	(1,528,226)	
(14,046,247)	(1,528,226)	(15,574,473)	
			$ 84,931
			7,191
			(1,893)
			79,021
			156,496
			2,768
			127,431
			455,945
8,976,720	-	8,976,720	-
4,988,620	-	4,988,620	-
2,947,574	-	2,947,574	30,883
4,995	-	4,995	-
148,129	-	148,129	-
12,112	-	12,112	-
-	-	-	75,039
-	7,522	7,522	76,725
(2,308,895)	2,308,895	-	-
14,769,255	2,316,417	17,085,672	182,647
723,008	788,191	1,511,199	638,592
14,473,235	6,333,957	20,807,192	6,823,161
$ 15,196,243	$ 7,122,148	$ 22,318,391	$ 7,461,753

Balance Sheet
Governmental Funds
June 30, 2014
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Assets				
Cash and Cash Equivalents	$ 2,575,168	$ 179,230	$ 64,932	$ 2,819,330
Investments	2,176,745	919,701	66,744	3,163,190
Receivables (Net)	3,704,617	5,746	8,800	3,719,163
Due from Other Funds	15,642	-	511	16,153
Due from Component Units	82,197	-	-	82,197
Inventories	31,299	-	-	31,299
Restricted Assets				
Cash and Cash Equivalents	38,306	-	142,118	180,424
Advances to Other Funds	-	-	8,675	8,675
Other Assets	26,119	-	-	26,119
Total Assets	$ 8,650,093	$ 1,104,677	$ 291,780	$ 10,046,550
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable and Other Accruals	$ 2,183,899	$ 47,232	$ 999	$ 2,232,130
Due to Other Funds	396,182	-	14,533	410,715
Due to Component Units	872	-	-	872
Benefits Payable	874,800	-	-	874,800
Contracts Payable	102,469	26,945	3,741	133,155
Undistributed Local Government Sales Tax	3,700	-	-	3,700
Funds Held for Others	99,185	-	-	99,185
Unearned Revenue	122,694	16	-	122,710
Other Liabilities	36,960	12,293	-	49,253
Total Liabilities	3,820,761	86,486	19,273	3,926,520
Deferred Inflows of Resources	419	-	-	419
Fund Balances:				
Nonspendable	54,972	-	14	54,986
Restricted	3,371,495	968,806	247,389	4,587,690
Unrestricted				
Committed	3,232	-	-	3,232
Assigned	325,552	49,385	25,104	400,041
Unassigned	1,073,662	-	-	1,073,662
Total Fund Balances	4,828,913	1,018,191	272,507	6,119,611
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,650,093	$ 1,104,677	$ 291,780	$ 10,046,550

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

Reconciliation of Fund Balances
To the Statement of Net Position
June 30, 2014
(dollars in thousands)

Total Fund Balances - Governmental Funds (from previous page)		$ 6,119,611
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 3,543,614	
Buildings and Building Improvements	3,265,205	
Improvements Other Than Buildings	108,327	
Machinery and Equipment	873,441	
Infrastructure	26,873,080	
Construction in Progress	2,513,657	
Works of Art	86	
Intangibles - Other Than Software	113,296	
Software	195,738	
Accumulated Depreciation	(17,661,196)	19,825,248
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.		487,120
Deferred outflows of resources for the amount on refunding of bonded debt are not reported in the governmental funds:		
Deferred Amount on Refunding		
General Obligation Bonds	230,473	
Revenue Bonds	5,834	
		236,307
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	(8,763,845)	
Premiums	(673,999)	
Accrued Interest Payable	(170,569)	
Revenue Bonds	(1,294,683)	
Premiums	(72,385)	
Accrued Interest Payable	(8,723)	
Capital Leases	(173,260)	
Compensated Absences	(308,444)	
Arbitrage Rebate	(4,834)	
Other	(1,301)	(11,472,043)
Total Net Position - Governmental Activities		$ 15,196,243

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Funds	Total
Revenues:				
Taxes	$ 16,912,914	$ -	$ -	$ 16,912,914
Licenses and Permits	1,387,113	-	-	1,387,113
Intergovernmental - Federal	15,337,024	22,785	-	15,359,809
Intergovernmental - Other	437,006	51,466	101,528	590,000
Sales and Services	448,940	-	757	449,697
Fines and Forfeits	446,646	-	-	446,646
Interest and Other Investment Income	14,489	8,526	350	23,365
Unclaimed Property	148,129	-	-	148,129
Lottery Proceeds	945,097	-	-	945,097
Nursing Home Provider Fees	169,521	-	-	169,521
Hospital Provider Payments	237,978	-	-	237,978
Other	64,282	1,651	2,442	68,375
Total Revenues	36,549,139	84,428	105,077	36,738,644
Expenditures:				
Current:				
General Government	1,119,293	429	-	1,119,722
Education	10,787,182	-	-	10,787,182
Health and Welfare	16,106,379	-	-	16,106,379
Transportation	1,768,352	-	78,797	1,847,149
Public Safety	1,969,468	-	-	1,969,468
Economic Development and Assistance	503,413	-	8,873	512,286
Culture and Recreation	257,416	-	-	257,416
Conservation	46,938	-	533	47,471
Capital Outlay	-	699,126	-	699,126
Debt Service				
Principal	-	-	850,290	850,290
Interest	1	-	466,786	466,787
Accrued Interest on Bonds Retired in Advance	-	-	13	13
Discount on Bonds Retired in Advance	-	-	163	163
Other Debt Service Expenditures	-	22,714	52,482	75,196
Intergovernmental	-	209,097	-	209,097
Total Expenditures	32,558,442	931,366	1,457,937	34,947,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,990,697	(846,938)	(1,352,860)	1,790,899
Other Financing Sources (Uses):				
Debt Issuance - General Obligation Bonds	-	857,670	-	857,670
Debt Issuance - Revenue Bonds	-	-	32,718	32,718
Debt Issuance - General Obligation Bonds - Premium	-	62,075	-	62,075
Capital Leases	8,207	-	-	8,207
Transfers In	42,207	12,572	1,495,787	1,550,566
Transfers Out	(3,615,714)	(71,311)	(19,243)	(3,706,268)
Net Other Financing Sources (Uses)	(3,565,300)	861,006	1,509,262	(1,195,032)
Net Change in Fund Balances	425,397	14,068	156,402	595,867
Fund Balances, July 1	4,403,516	1,004,123	116,105	5,523,744
Fund Balances, June 30	$ 4,828,913	$ 1,018,191	$ 272,507	$ 6,119,611

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

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, 2014
(dollars in thousands)

Net Change in Fund Balances - Governmental Funds (from previous page)		$ 595,867
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay (net of losses), net of transfers to Business-Type Activities, Component Units and outside organizations.	$ 1,268,825	
Depreciation expense	(1,159,283)	109,542
Bond proceeds (net of issuance costs and payments to refunding escrow) provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(890,388)
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.		(8,207)
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	746,985	
Revenue Bonds	160,310	
Notes	4,000	
Capital Leases	28,051	939,346
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.		(22,276)
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	(3,244)	
Accrued Interest on Bonds Payable	10,309	
Arbitrage Rebate	43	
Amortization of Deferred Amount on Refunding	(34,776)	
Amortization of Bond Premiums	25,973	
Other	819	(876)
Change in Net Position - Governmental Activities		$ 723,008

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

Statement of Net Position
Proprietary Funds
June 30, 2014
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 1,515,915	$ 585,485	$ 450,400	$ 55,811	$ 2,607,611	$ 97,782
Investments	132,709	-	-	34,504	167,213	3,736
Accounts Receivable (Net)	303,789	118,963	182,327	30,111	635,190	60,550
Due from Other Funds	17,947	-	-	2,009,079	2,027,026	521,133
Due from Component Units	123,746	-	-	-	123,746	66
Notes Receivable	-	-	-	3,123	3,123	-
Other Assets	101,815	-	-	18,811	120,626	20,508
Restricted Assets						
Cash and Cash Equivalents	-	-	-	24,820	24,820	5,854
Noncurrent Assets:						
Other Receivables	2,456	-	-	12,644	15,100	-
Investments	41,288	-	-	155,862	197,150	80,795
Notes Receivable	44,985	-	-	-	44,985	-
Other Noncurrent Assets	-	-	-	41,130	41,130	-
Restricted Assets						
Cash and Cash Equivalents	6,536	-	-	87,970	94,506	-
Investments	74,076	-	-	6,547	80,623	-
Non-Depreciable Capital Assets	657,060	-	-	14,371	671,431	20,822
Depreciable Capital Assets, net	9,522,429	-	-	20,885	9,543,314	278,170
Total Assets	12,544,751	704,448	632,727	2,515,668	16,397,594	1,089,416
Deferred Outflows of Resources	2,862	-	-	42,822	45,684	-

(continued)

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

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Liabilities						
Current Liabilities:						
Accounts Payable and Other Accruals	184,377	23,088	3,710	29,385	240,560	59,877
Due to Other Funds	1,855,174	41,366	-	296,584	2,193,124	1,788
Due to Component Units	1,773	-	-	-	1,773	-
Benefits Payable	39,847	177,083	14,940	-	231,870	-
Grants Payable	7,506	-	-	-	7,506	-
Unearned Revenue	258,256	196,190	28,257	6,592	489,295	455
Claims and Judgments Payable	-	-	-	-	-	582,538
Compensated Absences Payable - Current	138,787	109	-	71	138,967	2,636
Capital Leases/Installment Purchases Payable						
Component Units	17,351	-	-	-	17,351	-
Others	27,117	-	-	518	27,635	6,439
Revenue Bonds Payable	-	-	-	37,433	37,433	-
Other Current Liabilities	168,317	-	-	2,144	170,461	1,721
Current Liabilities Payable from Restricted Assets	-	-	-	-	-	5,054
Noncurrent Liabilities:						
Compensated Absences Payable	88,686	181	-	71	88,938	2,128
Advances from Other Funds	-	-	-	8,675	8,675	-
Capital Leases/Installment Purchases Payable						
Component Units	693,843	-	-	-	693,843	-
Others	1,088,390	-	-	2,298	1,090,688	73,131
Revenue Bonds Payable	-	-	-	1,744,081	1,744,081	-
Other Postemployment Benefit Obligation	1,843,077	-	-	-	1,843,077	-
Other Non Current Liabilities	9,146	-	-	45,341	54,487	3,354
Derivative Instrument Payable	-	-	-	3,769	3,769	-
Total Liabilities	6,421,647	438,017	46,907	2,176,962	9,083,533	739,121
Deferred Inflows of Resources	100,772	-	-	-	100,772	-
Net Position						
Net Investment in Capital Assets	6,539,736	-	-	31,630	6,571,366	219,422
Restricted for:						
Bond Covenants/Debt Service	-	-	-	1,270	1,270	-
Capital Projects	76,689	-	-	5,851	82,540	-
Permanent Trusts:						
Nonexpendable	174,995	-	-	108,501	283,496	-
Expendable	304,162	-	-	110,310	414,472	-
Unemployment Compensation Benefits	-	-	585,820	-	585,820	-
Unrestricted	(1,070,388)	266,431	-	123,966	(679,991)	130,873
Total Net Position	$ 6,025,194	$ 266,431	$ 585,820	$ 381,528	7,258,973	$ 350,295
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(136,825)	
Net Position of Business-type Activities					$ 7,122,148	

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


STATE OF GEORGIA
CONSTITUTION
WISDOM
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Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Operating Revenues:						
Operating Grants and Contributions/Premiums	$ 1,507,205	$ 2,428,576	$ 1,675,994	$ 74,843	$ 5,686,618	$ 157,907
Rents and Royalties	4,764	-	-	22,749	27,513	54,550
Sales and Services	1,064,977	-	-	31,497	1,096,474	272,167
Tuition and Fees	2,525,151	-	-	-	2,525,151	-
Less: Scholarship Allowances	(634,417)	-	-	-	(634,417)	-
Other	144,972	-	-	97,038	242,010	69,466
Total Operating Revenues	4,612,652	2,428,576	1,675,994	226,127	8,943,349	554,090
Operating Expenses:						
Personal Services	4,922,672	6,369	-	3,812	4,932,853	53,290
Services and Supplies	2,114,545	146,000	-	22,691	2,283,236	381,366
Scholarships and Fellowships	423,911	-	-	702	424,613	-
Benefits	-	1,880,541	1,152,763	-	3,033,304	-
Claims and Judgments	-	-	-	-	-	138,458
Depreciation	494,525	-	-	4,000	498,525	28,374
Amortization	-	-	-	4,158	4,158	-
Other	-	-	-	78,791	78,791	-
Total Operating Expenses	7,955,653	2,032,910	1,152,763	114,154	11,255,480	601,488
Operating Income (Loss)	(3,343,001)	395,666	523,231	111,973	(2,312,131)	(47,398)
Nonoperating Revenues (Expenses):						
Grants and Contributions	1,022,001	-	-	-	1,022,001	-
Interest and Other Investment Income	35,260	503	1,456	11,964	49,183	1,423
Interest Expense	(195,305)	-	-	(78,338)	(273,643)	-
Other	(6,447)	-	-	(36,406)	(42,853)	17,993
Total Nonoperating Revenues (Expenses)	855,509	503	1,456	(102,780)	754,688	19,416
Income (Loss) Before Contributions and Transfers	(2,487,492)	396,169	524,687	9,193	(1,557,443)	(27,982)
Contributions to Permanent Endowments	-	-	-	7,522	7,522	-
Capital Contributions	187,579	-	-	537	188,116	2,324
Total Contributions	187,579	-	-	8,059	195,638	2,324
Transfers:						
Transfers In	2,199,353	-	-	8,963	2,208,316	1,374
Transfers Out	(2,873)	-	-	(48,021)	(50,894)	(5,418)
Net Transfers	2,196,480	-	0	(39,058)	2,157,422	(4,044)
Change in Net Position	(103,433)	396,169	524,687	(21,806)	795,617	(29,702)
Net Position, July 1 - Restated (Note 3)	6,128,627	(129,738)	61,133	403,334		379,997
Net Position, June 30	$ 6,025,194	$ 266,431	$ 585,820	$ 381,528		$ 350,295
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.					(7,426)	
Change in Net Position of business-type activities					$ 788,191	

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 1,071,010	$ -	$ -	$ 163,770	$ 1,234,780	$ 395,335
Cash Received from Grants and Required Contributions/Premiums	1,493,863	2,434,620	1,694,189	54,645	5,677,317	149,117
Cash Received from Tuition and Fees	1,909,975	-	-	-	1,909,975	-
Cash Paid to Vendors	(3,118,463)	(145,044)	-	(84,338)	(3,347,845)	(350,893)
Cash Paid to Employees	(3,555,148)	(6,398)	-	(3,045)	(3,564,591)	(53,186)
Cash Paid for Benefits	-	(1,927,919)	(1,155,574)	-	(3,083,493)	-
Cash Paid for Claims and Judgments	-	-	-	-	-	(130,781)
Cash Paid for Scholarships, Fellowships and Loans	(434,159)	-	-	(702)	(434,861)	-
Other Operating Receipts (Payments)	136,939	-	-	23,317	160,256	(113)
Net Cash Provided by (Used in) Operating Activities	(2,495,983)	355,259	538,615	153,647	(1,448,462)	9,479
Cash Flows from Noncapital Financing Activities:						
Interest Paid on Debt	-	-	-	(14,876)	(14,876)	-
Transfers from Other Funds	2,199,353	-	-	-	2,199,353	1,374
Transfers to Other Funds	(2,873)	-	-	(27,363)	(30,236)	(3,668)
Payments on Noncapital Financing Debt	-	-	(396,766)	(4,215)	(400,981)	-
Other Noncapital Receipts	985,669	-	-	83,922	1,069,591	17,068
Net Cash Provided by (Used in) Noncapital Financing Activities	3,182,149	-	(396,766)	37,468	2,822,851	14,774
Cash Flows from Capital and Related Financing Activities:						
Capital Contributions	-	-	-	537	537	1,183
Capital Grants and Gifts Received	97,393	-	-	20,073	117,466	-
Bond Issuance Costs	-	-	-	(56,820)	(56,820)	-
Proceeds from Sale of Capital Assets	19,219	-	-	-	19,219	2,223
Proceeds from Capital Debt	-	-	-	29,670	29,670	-
Acquisition and Construction of Capital Assets	(411,374)	-	-	(18,517)	(429,891)	(7,685)
Principal Paid on Capital Debt	(92,896)	-	-	(98,281)	(191,177)	(5,352)
Interest Paid on Capital Debt	(192,359)	-	-	(77,785)	(270,144)	-
Net Cash Used in Capital and Related Financing Activities	(580,017)	-	-	(201,123)	(781,140)	(9,631)
Cash Flows from Investing Activities:						
Proceeds from Sales of Investments	188,835	75,101	-	111,582	375,518	109,052
Purchase of Investments	(29,414)	-	-	(76,882)	(106,296)	(84,834)
Interest and Dividends Received	12,341	503	1,456	5,563	19,863	1,728
Other Investing Activities	-	-	-	16,290	16,290	-
Net Cash Provided by Investing Activities	171,762	75,604	1,456	56,553	305,375	25,946
Net Increase in Cash and Cash Equivalents	277,911	430,863	143,305	46,545	898,624	40,568
Cash and Cash Equivalents, July 1	1,244,540	154,622	307,095	122,056	1,828,313	63,068
Cash and Cash Equivalents, June 30	$ 1,522,451	$ 585,485	$ 450,400	$ 168,601	$ 2,726,937	$ 103,636

(continued)

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

	Business-type Activities - Enterprise Funds					Governmental Activities -
	Higher Education Fund	State Health Benefit Plan	Unemployment Compensation Fund	Nonmajor Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities						
Operating Income (Loss)	$ (3,343,001)	$ 395,666	$ 523,231	$ 111,973	$ (2,312,131)	$ (47,398)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation/Amortization Expense	494,525	-	-	8,158	502,683	28,374
Other Reconciling Items	30,058	-	-	32,045	62,103	-
Changes in Assets and Liabilities:						
Accounts Receivable	(37,773)	4,348	13,206	13	(20,206)	(4,158)
Due from Other Funds	-	-	-	3,750	3,750	(5,045)
Due from Component Units	-	-	-	-	-	(615)
Other Assets	22,856	-	-	(94)	22,762	(1,083)
Notes Receivable	420	-	-	2,837	3,257	-
Accounts Payable and Other Accruals	14,288	956	375	(5,955)	9,664	30,535
Due to Other Funds	-	(397)	-	-	(397)	881
Benefits Payable	-	(47,378)	(2,812)	-	(50,190)	-
Unearned Revenue	3,480	2,093	4,615	764	10,952	7,854
Compensated Absences Payable	4,532	(29)	-	(62)	4,441	512
Other Postemployment Benefit Obligation	288,934	-	-	-	288,934	-
Other Liabilities	25,698	-	-	218	25,916	(378)
Net Cash Provided by (Used in) Operating Activities	$ (2,495,983)	$ 355,259	$ 538,615	$ 153,647	$ (1,448,462)	$ 9,479
Noncash Investing, Capital, and Financing Activities:						
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts	$ 87,775	$ -	$ -	$ -	$ 87,775	$ -
Gifts other than Capital Assets Reducing Proceeds of Grants and Gifts for Other than Capital Assets	31,956	-	-	-	31,956	-
Donation of Capital Assets	-	-	-	-	-	1,142
Affecting Interest Paid	526	-	-	-	526	-
Capital Assets Acquired by Incurring Capital Lease Obligations	136,358	-	-	-	136,358	-
Change in Fair Value of Investments	22,052	-	-	-	22,052	(303)
Special Item - Equipment-Capital Asset Transfer	282	-	-	-	282	-
Capital Lease Obligation	411	-	-	-	411	-
Other	1,957	-	-	-	1,957	-
Total Noncash Investing, Capital and Financing Activities	$ 281,317	$ -	$ -	$ -	$ 281,317	$ 839

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Agency	Total
Assets					
Cash and Cash Equivalents	$ 1,700,422	$ 6,453,107	$ 7,755	$ 135,109	$ 8,296,393
Receivables					
Interest and Dividends	222,664	1,162	-	-	223,826
Due from Brokers for Securities Sold	49,774	-	-	-	49,774
Other	196,015	-	-	3,102	199,117
Due from Other Funds	42,125	-	-	-	42,125
Investments, at Fair Value					
Certificates of Deposit	-	-	-	1,421	1,421
Pooled Investments	15,941,595	125,544	-	-	16,067,139
Mutual Funds	1,960,198	-	-	-	1,960,198
Municipal, U. S. and Foreign Government Obligations	7,081,611	-	-	58,481	7,140,092
Corporate Bonds/Notes/Debentures	10,787,206	-	-	-	10,787,206
Stocks	47,589,430	-	-	-	47,589,430
Asset-Backed Securities	23,210	-	-	-	23,210
Mortgage Investments	106,510	-	-	-	106,510
Real Estate Investment Trusts	45,102	-	-	-	45,102
Capital Assets					
Land	8,327	-	-	-	8,327
Buildings	7,695	-	826	-	8,521
Software	29,325	-	-	-	29,325
Machinery and Equipment	5,897	-	103	-	6,000
Works of Art	114	-	-	-	114
Accumulated Depreciation	(35,690)	-	(720)	-	(36,410)
Other Assets	637	-	-	60,200	60,837
Total Assets	85,762,167	6,579,813	7,964	258,313	92,608,257
Liabilities					
Accounts Payable and Other Accruals	46,823	-	6	1,811	48,640
Due to Other Funds	808	-	2	-	810
Due to Brokers for Securities Purchased	121,634	-	-	-	121,634
Salaries/Withholdings Payable	257	-	-	-	257
Benefits Payable	50,795	-	-	-	50,795
Funds Held for Others	-	-	-	256,499	256,499
Unearned Revenue	12,363	-	-	-	12,363
Compensated Absences Payable	53	-	194	-	247
Other Liabilities	-	-	362	3	365
Total Liabilities	232,733	-	564	258,313	491,610
Net Position					
Held in Trust for:					
Pension Benefits	84,256,093	-	-	-	84,256,093
Other Postemployment Benefits	1,037,983	-	-	-	1,037,983
Other Employee Benefits	235,358	-	-	-	235,358
Pool Participants	-	6,579,813	-	-	6,579,813
Other Purposes	-	-	7,400	-	7,400
Total Net Position	$ 85,529,434	$ 6,579,813	$ 7,400	$ -	$ 92,116,647

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	Pension and Other Employee Benefits Trust	Investment Trust	Private Purpose Trust	Total
Additions:				
Contributions/Assessments				
Employer	$ 2,423,489	$ -	$ -	$ 2,423,489
NonEmployer	54,449	-	-	54,449
Plan Members/Participants	962,386	-	100,880	1,063,266
Other Contributions				
Fines and Bond Forfeitures	3,452	-	-	3,452
Insurance Company Premium Taxes	30,034	-	-	30,034
Insurance Premiums	8,532	-	-	8,532
Other Fees	11,657	-	-	11,657
Rebates	1,192	-	-	1,192
Interest and Other Investment Income				
Dividends and Interest	1,716,797	11,393	56	1,728,246
Net Appreciation (Depreciation) in				
Investments Reported at Fair Value	11,009,099	(860)	-	11,008,239
Less: Investment Expense	(69,683)	(2,311)	-	(71,994)
Pool Participant Deposits	-	6,989,719	-	6,989,719
Other				
Transfers from Other Funds	2,324	-	-	2,324
Miscellaneous	1,206	-	-	1,206
Total Additions	16,154,934	6,997,941	100,936	23,253,811
Deductions:				
General and Administrative Expenses	78,507	-	2,339	80,846
Benefits	6,211,220	-	98,478	6,309,698
Pool Participant Withdrawals	-	6,430,016	-	6,430,016
Refunds	115,376	-	-	115,376
Total Deductions	6,405,103	6,430,016	100,817	12,935,936
Change in Net Position Held in Trust for:				
Pension and Other Employee Benefits	9,749,831	-	-	9,749,831
Pool Participants	-	567,925	-	567,925
Other Purposes	-	-	119	119
Net Position, July 1 - Restated (Note 3)	75,779,603	6,011,888	7,281	81,798,772
Net Position, June 30	$ 85,529,434	$ 6,579,813	$ 7,400	$ 92,116,647

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

Statement of Net Position
Component Units
June 30, 2014
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Georgia Tech Research Corporation	Nonmajor Component Units	Total
Assets								
Current Assets:								
Cash and Cash Equivalents	$ 856,079	$ 127,404	$ 33,748	$ 103,206	$ 3,617	$ 75,922	$ 475,360	$ 1,675,336
Investments	-	4,740	-	-	-	-	132,539	137,279
Receivables								
Accounts (Net)	1,795	-	163,652	48,908	19,690	46,928	161,581	442,554
Capital Leases from Primary Government	-	-	-	-	5,575	-	11,776	17,351
Interest and Dividends	3,801	510	-	-	-	-	2,525	6,836
Notes and Loans (Net)	-	-	-	462	1,158	-	100,190	101,810
Taxes	-	-	-	-	-	-	4,503	4,503
Due from Primary Government	-	-	-	-	-	-	2,646	2,646
Due from Component Units	-	-	-	-	-	-	3,573	3,573
Intergovernmental Receivables	2,664	-	-	-	-	-	12,147	14,811
Other Current Assets	-	65,433	3,448	6,441	-	55,860	66,123	197,305
Noncurrent Assets:								
Investments	-	150,918	-	82,758	976,418	4	1,274,121	2,484,219
Receivables (Net)								
Capital Leases from Primary Government	-	-	-	-	135,988	-	557,855	693,843
Notes and Loans	1,338,970	625,783	-	1,440	-	-	56,052	2,022,245
Other	-	-	-	-	48,560	200	46,203	94,963
Due from Component Units	-	-	-	-	-	-	153,508	153,508
Restricted Assets								
Cash and Cash Equivalents	-	60,910	6,895	-	7,429	-	128,323	203,557
Investments	-	99,950	219,353	-	588,380	-	57,222	964,905
Receivables (Net)								
Notes and Loans	-	924,048	-	-	-	-	-	924,048
Interest and Dividends	-	10,708	-	-	-	-	-	10,708
Non-depreciable Capital Assets	-	800	-	270,440	3,395	512	233,538	508,685
Depreciable Capital Assets (Net)	49	2,974	5,313	635,426	32,511	1,059	1,095,237	1,772,569
Other Noncurrent Assets	-	-	-	56,445	60,066	-	31,189	147,700
Total Assets	2,203,358	2,074,178	432,409	1,205,526	1,882,787	180,485	4,606,211	12,584,954
Deferred Outflows of Resources	-	-	-	-	-	-	40,495	40,495

(continued)

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

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Georgia Tech Research Corporation	Nonmajor Component Units	Total
Liabilities								
Current Liabilities:								
Accounts Payable and Other Accruals	2,207	12,920	111,347	27,905	16,079	-	120,168	290,626
Due to Primary Government	1,945	5	80,243	43	-	88,316	35,458	206,010
Due to Component Units	-	-	-	-	566	-	3,007	3,573
Funds Held for Others	-	-	-	-	-	-	3,518	3,518
Unearned Revenue	-	2,153	-	-	31,321	43,671	115,216	192,361
Notes and Loans Payable	-	-	-	2,000	51,462	-	17,079	70,541
Revenue/Mortgage Bonds Payable	16,775	24,445	-	-	9,605	-	33,263	84,088
Other Current Liabilities	141	212,218	7,964	2,282	2,619	-	59,196	284,420
Current Liabilities Payable from Restricted Assets:								
Accrued Interest Payable	-	-	-	-	-	-	1,407	1,407
Revenue Bonds Payable	-	-	-	-	-	-	11,530	11,530
Other	-	-	13,808	-	-	-	8,002	21,810
Noncurrent Liabilities:								
Unearned Revenue	-	-	-	579	-	-	1,326	1,905
Notes and Loans Payable	-	-	-	32,057	-	-	97,781	129,838
Revenue/Mortgage Bonds Payable	107,334	1,015,446	-	-	240,438	-	1,325,598	2,688,816
Grand Prizes Payable	-	-	192,759	-	-	-	-	192,759
Due to Component Units	-	-	-	-	109,296	-	44,212	153,508
Derivative Instrument Payable	-	-	-	-	-	-	42,327	42,327
Other Noncurrent Liabilities	424	631,195	4,409	40,037	17,025	-	91,569	784,659
Total Liabilities	128,826	1,898,382	410,530	104,903	478,411	131,987	2,010,657	5,163,696
Net Position								
Net Investment in Capital Assets	48	3,775	5,313	871,809	35,906	1,572	650,613	1,569,036
Restricted for:								
Bond Covenants/Debt Service	80,523	-	-	-	-	-	32,515	113,038
Permanent Trusts								
Expendable	-	-	-	-	715,583	-	603,492	1,319,075
Nonexpendable	-	-	-	-	588,380	-	626,280	1,214,660
Loan and Grant Programs	1,484,955	-	-	-	-	-	-	1,484,955
Other Purposes	-	-	-	-	-	-	62,020	62,020
Unrestricted	509,006	172,021	16,566	228,814	64,507	46,926	661,129	1,698,969
Total Net Position	$ 2,074,532	$ 175,796	$ 21,879	$ 1,100,623	$ 1,404,376	$ 48,498	$ 2,636,049	$ 7,461,753

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

STATE OF GEORGIA

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Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	Georgia Environmental Finance Authority	Georgia Housing and Finance Authority	Georgia Lottery Corporation	Georgia Ports Authority	Georgia Tech Foundation, Incorporated	Georgia Tech Research Corporation	Nonmajor Component Units	Total
Expenses	$ 34,472	$ 154,833	$ 3,752,757	$ 243,253	$ 101,701	$ 611,076	$ 1,447,934	$ 6,346,026
Program Revenues:								
Sales and Charges for Services	44,366	66,102	3,750,864	310,599	14,247	10,028	983,894	5,180,100
Operating Grants and Contributions	75,037	95,922	-	822	243,950	603,816	586,535	1,606,082
Capital Grants and Contributions	-	-	-	10,853	-	-	4,936	15,789
Total Program Revenues	119,403	162,024	3,750,864	322,274	258,197	613,844	1,575,365	6,801,971
Net (Expenses) Revenue	84,931	7,191	(1,893)	79,021	156,496	2,768	127,431	455,945
General Revenues:								
Taxes	-	-	-	-	-	-	30,883	30,883
Payments from the State of Georgia	-	-	-	-	-	-	75,039	75,039
Contributions to Permanent Endowments	-	-	-	-	50,813	-	25,912	76,725
Total General Revenues	-	-	-	-	50,813	-	131,834	182,647
Change in Net Position	84,931	7,191	(1,893)	79,021	207,309	2,768	259,265	638,592
Net Position, July 1 - Restated (Note 3)	1,989,601	168,605	23,772	1,021,602	1,197,067	45,730	2,376,784	6,823,161
Net Position, June 30	$ 2,074,532	$ 175,796	$ 21,879	$ 1,100,623	$ 1,404,376	$ 48,498	$ 2,636,049	$ 7,461,753

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the State have been prepared in conformity with GAAP as prescribed by the 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), VSU Auxiliary Service Real Estate Foundation, Inc., Armstrong Atlantic State University Educational Properties Foundation, Inc. (nonmajor enterprise funds) and, the Stone Mountain Memorial Association (component unit) which have a fiscal year end of December 31.

B. Financial Reporting Entity

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

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

The State's blended component units, as described in the Nonmajor Governmental Funds, Nonmajor Enterprise 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 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. (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 **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)

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

Debt Service Fund

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

Enterprise Funds

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

The **State Road and Tollway Authority** uses an enterprise fund to account for its operation of the Georgia 400 Extension toll road and for the I-85 High Occupancy Toll (HOT) lanes. (AUD)

The following foundations have debt that is expected to be paid entirely or almost entirely with resources of the Primary Government and therefore are considered blended component units:

The **Armstrong Atlantic State University Educational Properties Foundation, Inc.** is a nonprofit organization that was created to manage and improve various real estate assets for the benefit of Armstrong Atlantic State University. The Foundation has created a number of limited liability companies of which it is the sole member for purposes including the acquisition, financing, ownership, and operation of dormitory and other ancillary various facilities at the University. The individual financial statements may be obtained from the foundation at the following address: Attn: Controller, 11935 Abercorn Street, Savannah, GA 31419.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The **Georgia State University Foundation, Inc.** is a nonprofit corporation that serves as the official fund-raising and fund-management organization for Georgia State University and is committed to supporting and assisting the University in achieving its goals and objectives through soliciting and managing private gifts and collaborating and advising on activities for the benefit and advancement of the University. The individual financial statements may be obtained from the foundation at the following address: Attn: Controller, One Park Place SE, Atlanta, GA 30303.

The **Georgia State University Research Foundation, Inc.** is a nonprofit corporation created to support the research activities of the University through securing gifts, contributions and grants from individuals, private organizations and public agencies and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the university. The individual financial statements may be obtained from the foundation at the following address: Attn: Comptroller/Assistant VP, Finance & Administration, 33 Gilmer Street, Suite 400B, Atlanta, GA 30303.

The **Georgia Tech Facilities, Inc.** is a nonprofit corporation that promotes and supports the Georgia Institute of Technology, principally by financing and constructing buildings and facilities for use by the Institute. The individual financial statements may be obtained from the foundation at the following address: Attn: Affiliate Organizations & Capital Assets Accounting Director, Georgia Tech, 221 Uncle Heinie Way, 325 Lyman Hall, Atlanta, GA 30332

The **Middle Georgia State College Real Estate Foundation, Inc.** is a nonprofit organization created for various purposes including to construct, operate and manage various real estate projects for the College. The Foundation formed a number of limited liability companies of which it is the sole owner for purposes including acquiring and/or constructing residence halls, student housing and recreation facilities. The individual financial statements may be obtained from the foundation at the following address: Attn: Executive Director, 100 College Station Drive, Macon, GA 31206.

The **University of North Georgia Real Estate Foundation, Inc.** is a nonprofit corporation formed to serve the needs and interest of the University and to benefit and promote the well-being of its administration, faculty, staff, student body, and the people and communities served by the University; and to acquire, lease, receive, accept, develop, manage, encumber, assign, sell, transfer and convey real property to be administered exclusively for charitable purposes for benefit of the University. The individual financial statements may be obtained from the foundation at the following address: Attn: Administrator, 120 South Chestatee Street, Dahlonega, GA 30597.

The **University System of Georgia Foundation, Inc.** is a nonprofit corporation created to support and advance the work of the University System of Georgia. The foundation's support comes primarily from contributions and grants from individuals and corporations, and from leasing activities within the University System of Georgia. The individual financial statements may be obtained from the foundation at the following address: Attn: Director of Business Services, 270 Washington Street, SW, Atlanta, GA 30334.

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

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

Internal Service Funds

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

The **Georgia Aviation Authority** was created to acquire, operate, maintain, house, and dispose of all state aviation assets, and to provide aviation services and oversight of state aircraft and aviation operations programs, associated with aircraft of the Department of Transportation, Department of Natural Resources, Department of Public Safety, and the State Forestry Commission. (NSR)

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

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

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

The **State Road and Tollway Authority Customer Service Center Fund** is used to report activities related to managing toll paying customer accounts and non-customer violations relating to the Authority's Georgia 400 Extension and the I-85 Express Lanes Project proprietary funds. (AUD)

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.

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

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

The **Georgia Housing and Finance Authority (GHFA)** is a body corporate and politic. GHFA is responsible for facilitating housing, housing finance

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and financing for health facilities and health care services throughout the State. The powers of GHFA are vested in eighteen 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 five 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 twelve 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, and to aid the Georgia Institute of Technology 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 **Georgia Tech Research Corporation** is a nonprofit corporation established for the purpose of engaging in sponsored research for scientific, literary, and educational purposes or related objectives. The Corporation serves as the official grantee for all contracts and grants for the conduct of sponsored research at the Georgia Institute of Technology (GIT) and has been assigned all intellectual property developed through contracts subcontracted to (GIT). The Corporation is the administrative organization for discoveries, innovations, inventions, patents and copyrights and is responsible for intellectual property management including patenting and licensing. The individual financial statements may be obtained from the foundation at the following address: Office of the Controller, Georgia Tech Research Corporation, 505 Tenth Street, N.W., Atlanta, Georgia, 30332-0415.

The State's <u>nonmajor</u> discretely presented component units are as follows:

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

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

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

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

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

The **Georgia Medical Center Authority** was a body corporate and politic. The general nature of the business of the Authority was the provision of life sciences industry research and development and manufacturing facilities and programs based in the State of Georgia, the commercialization of biomedical and biotechnical research results, the promotion of closer ties between academic institutions of the state and the biomedical industry, the facilitation of the development of a life sciences industrial cluster in the State, and the advancement of local and state economic growth. The Georgia Medical Center Authority ceased operation effective July 1, 2013. (NSR)

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

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

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

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

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

The **Georgia Sports Hall of Fame Authority** is a body corporate and politic. This Authority was created to construct and maintain a facility to house the Georgia Sports Hall of Fame to honor those who have made outstanding and lasting contributions to

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

sports and athletics, and to operate, advertise and promote the Sports Hall of Fame. (NSR)

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

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

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

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

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

The **Regional Educational Service Agencies** were established to provide shared services to improve the effectiveness of educational programs and services of local school systems and to provide direct instructional programs to selected public school students. The State has sixteen 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 the preservation and protection of Stone Mountain as a Confederate memorial and public recreational area. (AUD)

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

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

Georgia College & State University Foundation, Inc.
Georgia Tech Athletic Association
Kennesaw State University Foundation, Inc.
MCG Health System, Inc.
Medical College of Georgia Foundation, Inc.
University of Georgia Athletic Association, Inc.
University of Georgia Foundation
University of Georgia Research Foundation, Inc.

Fiduciary Component Units

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position.

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

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. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenues in the fiscal year in which eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when cash or other assets are received prior to being earned. Additionally, long-term assets and liabilities, such as capital assets and long-term debt, are included on the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues to be available if the revenues are collected within 30 days after fiscal year-end. An exception to this

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Revenues and expenses not meeting this definition, such as investment earnings, are reported as nonoperating.

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 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:

<u>Major Governmental Funds</u>

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.

<u>Major Enterprise Funds</u>

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.

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:

<u>Governmental Funds</u>

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 following are the State's nonmajor enterprise funds:

SRTA's Proprietary Funds
Georgia Higher Education Facilities Authority
Armstrong Atlantic State University Educational Properties Foundation, Inc.
Georgia Southern University Housing Foundation, Inc.
Georgia State University Foundation, Inc.
Georgia State University Research Foundation, Inc.
Georgia Tech Facilities, Inc.
Middle Georgia State College Real Estate Foundation, Inc.
University of North Georgia Real Estate Foundation, Inc.
University System of Georgia Foundation, Inc.
UWG Real Estate Foundation
VSU Auxiliary Services Real Estate Foundation, Inc.

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

Fiduciary Funds

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

with maturity dates within three months of the date acquired, such as certificates of deposit, money market certificates and repurchase agreements. Cash and cash equivalents also include the holdings of Georgia Fund 1.

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 and holdings of Georgia Fund 1 are presented at fair value. Changes in the fair value of land and other real estate held as investments by endowments are reported as investment income.

The State's 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.

Investment Pools

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

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

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

Receivables

Receivables in the State's governmental funds pertain primarily to 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.

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 fair market value at the time of donation. Infrastructure acquired prior to fiscal years ended after June 30, 1980 is 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 without indefinite or inexhaustible useful lives are 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

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

Compensated Absences

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

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 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

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

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.

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 allow each organization to determine spending order in a manner consistent with the Georgia Constitution and applicable State law which maximizes the benefit to the customer and/or the efficiency of the program.

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 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.

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. Only the Governor and the General Assembly may establish, modify or rescind the commitment by taking the same type of action it employed to previously commit the amounts (e.g., legislation).

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fund balances are available for use, it is the State's policy to allow each organization to determine spending order in a manner consistent with the Georgia Constitution and applicable State law which maximizes the benefit to the customer and/or the efficiency of the program. Within unrestricted fund balance, 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.

NOTE 2 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

A. Financial Reporting Entity

Primary Government

In fiscal year, 2014, it was determined that the Middle Georgia State College Real Estate Foundation, Inc. and the UWG Real Estate Foundation met requirements for inclusion in the financial reporting entity as nonmajor enterprise funds. In addition, changes in the composition of debt of two foundations previously reported as discretely presented component units, the Georgia Southern University Housing Foundation, Inc. and the University of North Georgia Real Estate Foundation, Inc., required the blending of these organizations with the nonmajor enterprise funds. These changes resulted in an increase in the beginning net position of the nonmajor enterprise funds of $25.9 million.

Component Units

The movement of the two formerly discretely presented component units to being blended with the primary government, mentioned above resulted in a decrease in the beginning net position of the nonmajor component units, of $12.6 million.

In addition to that change, another of the Higher Education Foundations and similar organizations presented as nonmajor component units, the Medical College of Georgia Physicians Practice Group Foundation, no longer meets GAAP criteria for inclusion in the State's financial reporting entity. This change resulted in a decrease in the beginning net position of the nonmajor component units of $78.8 million.

B. Adoption of New Accounting Principles

In fiscal year 2014, the State implemented the following new GASB Statements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* established accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources. In addition, this Statement amended the statement element classification of certain items previously reported as assets and liabilities. As a result of implementing this Statement, presentation and terminology changes were made to the fund financial statements and government-wide statements as necessary in addition to the immediate recognition of certain elements. Also as a result of these changes, a net prior period adjustment of $69.4 million was made to decrease beginning net position of the governmental activities, business-type activities and component units.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62* amended GASB Statements No. 10 and No. 62 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and internal service fund type. It also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Adoption of GASB Statement No. 66 did not require modification of the financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25* required changes in presentation of the financial statements, notes to the financial statements and required supplementary information for pension plans.

These changes included reporting certain activity that was previously accounted for within the Employees Retirement System pension and other employee benefit trust fund (ERS) in a separate pension and other employee benefit trust fund. Prior to fiscal year 2014, the Survivors Benefit Fund (SBF) was legally established for maintaining group term life insurance coverage for members of ERS and was accounted for within the ERS pension and other employee benefit trust fund. All assets within the SBF are limited to payment of benefits and expenses for such insurance coverage and cannot be

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

used to pay pension benefits of ERS. To comply with the provisions of GASB Statement No. 67, the assets, net position and activities of the SBF that were previously reported within the ERS pension and other employee benefit fund are now being reported in the SBF pension and other employee benefit fund.

Implementation of GASB Statement No. 67 also required more comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate and increased investment activity disclosures.

GASB Statement No. 70, *Accounting for Financial Reporting for Nonexchange Financial Guarantees* required additional disclosures concerning a government's obligations and risk exposure from extending nonexchange financial guarantees. In part, this Statement requires a government (guarantor) to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the guarantor will be required to make a payment on the nonexchange financial guarantee. Adoption of this Statement did not require modification to the financial statements

In fiscal year 2015, the State will implement the following GASB Statements:

No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*

No. 69 *Government Combinations and Disposals of Government Operations*

No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

The objective of Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The objective of Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The objective of Statement No. 71 is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The State anticipates that implementation of GASB Statement No. 68, as amended by Statement No. 71 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. 69.

C. Correction of Prior Year Errors

During the fiscal year, it was determined that capital assets, net of accumulated depreciation, were overstated within the governmental activities in fiscal year 2013 by $733.8 million resulting in an overstatement of net position, as reported. The beginning net position of the governmental activities was decreased to reflect correction of accumulated depreciation and net capital assets at various organizations with construction projects funded with general obligation bond proceeds in prior years.

During the fiscal year, it was determined that certain capital lease liabilities within governmental activities in the fiscal year 2013 were understated by

$20.0 million, resulting in an overstatement of net position, as reported. The beginning net position of governmental activities was decreased to reflect correction of these liabilities.

During the fiscal year, it was determined that liabilities related to capital leases (internal service funds) were understated by $1.7 million, resulting in an overstatement of net position, as reported. The beginning net position of governmental activities was decreased to reflect correction of these liabilities.

During the fiscal year, it was determined that net position were understated within the Higher Education Fund, primarily at various institutions of the Board of Regents of the University System of Georgia, in fiscal year 2013 by $15.6 million resulting in an understatement of net position, as reported. The beginning net position of the Higher Education Fund was increased by $7.2 million to reflect an increase in capital assets and a decrease in capital leases and $8.4 million to reflect employer contributions.

During the fiscal year, it was determined that nonmajor enterprise fund net position should be restated by $50.8 million to reflect adjustment for capital leases, various write-offs related to capital lease adjustments, and prior period errors.

During the fiscal year, it was determined that fiduciary fund net position should be restated by $26.3 million to reflect adjustment to estimates, inclusion of a new retirement plan, and removal of a trust fund.

During the fiscal year, it was determined that discretely presented component units' net position was understated by $2.8 million. An adjustment was made to increase net position to reflect corrections to prior year amounts.

NOTE 3 - FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

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

	6/30/2013 As Previously Reported	Implementation of new Accounting Standard	Change in Financial Reporting Entity	Correction of Prior Year Errors	6/30/2013 (Restated)
Governmental Funds and Activities					
Major Funds:					
General Fund	$ 4,403,516	$ -	$ -	$ -	$ 4,403,516
General Obligation Bond Projects Fund	1,004,123	-	-	-	1,004,123
Nonmajor Funds:					
Special Revenue Funds	116,011	-	-	-	116,011
Debt Service Fund	80	-	-	-	80
Permanent Fund	14	-	-	-	14
Total Governmental Funds	5,523,744	-	-	-	5,523,744
Government-wide Adjustments					
Capital Assets, net of depreciation	20,449,533	-	-	(733,825)	19,715,708
Other Noncurrent Assets and Liabilities	(158,332)	(28,773)	-	-	(187,105)
Long-Term Liabilities					
Adjustment to Capital Lease Liability	(11,068,523)	-	-	(19,985)	(11,088,508)
Inclusion of Internal Service Funds in Governmental Activities	511,074	-	-	(1,678)	509,396
Total Governmental Funds and Activities	**$ 15,257,496**	**$ (28,773)**	**$ -**	**$ (755,488)**	**$ 14,473,235**
Proprietary Funds and Business-type Activities					
Major Funds:					
Higher Education Fund	$ 6,113,052	$ -	$ -	$ 15,575	$ 6,128,627
State Health Benefit Plan	(129,738)	-	-	-	(129,738)
Unemployment Compensation Fund	61,133	-	-	-	61,133
Nonmajor Funds:					
Enterprise Funds	340,003	(13,365)	25,899	50,797	403,334
Internal Service Funds	381,675	-	-	(1,678)	379,997
Internal Service Funds Look-Back Adjustments					
Removal of Internal Service Funds Relating to Governmental Activities	(511,074)	-	-	1,678	(509,396)
Total Proprietary Funds and Business-type Activities	**$ 6,255,051**	**$ (13,365)**	**$ 25,899**	**$ 66,372**	**$ 6,333,957**
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	$ 75,729,905	$ -		$ 49,698	$ 75,779,603
Investment Trust Funds	6,035,279	-	-	(23,391)	6,011,888
Private Purpose Trust Funds	7,281	-	-	-	7,281
Total Fiduciary Funds	**$ 81,772,465**	**$ -**	**$ -**	**$ 26,307**	**$ 81,798,772**
Discretely Presented Component Units	**$ 6,939,032**	**$ (27,256)**	**$ (91,383)**	**$ 2,768**	**$ 6,823,161**
Total Reporting Entity	**$110,224,044**	**$ (69,394)**	**$ (65,484)**	**$ (660,041)**	**$109,429,125**

NOTE 4 - NET POSITION/FUND BALANCES

A. Restricted Net Position

Restricted net position at June 30, 2014 is as follows (amount in thousands):

	Governmental Activities	Business-Type Activities	Total Primary Government
Bond Covenants/Debt Service	$ -	$ 1,270	$ 1,270
Capital Projects	-	82,540	82,540
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	54,003
Lottery for Education	856,156	-	856,156
Motor Fuel Tax Funds	1,956,961	-	1,956,961
Permanent Trusts	14	697,968	697,982
Unemployment Compensation Benefits	-	585,820	585,820
Other Purposes	786,769	-	786,769
Total Restricted Net Position	**$ 3,653,903**	**$ 1,367,598**	**$ 5,021,501**

The restricted net position of the governmental activities includes $154.5 million of net position restricted by enabling legislation.

B. Fund Balances

The specific purposes of the governmental funds fund balances, classified as other than unassigned, at June 30, 2014 are as follows (amount in thousands):

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable Fund Balance				
Not in Spendable Form	$ 54,972	$ -	$ -	$ 54,972
Legally Required to be Maintained Intact	-	-	14	14
Total Nonspendable Fund Balance	$ 54,972	$ -	$ 14	$ 54,986
Restricted Fund Balance				
Capital Projects	$ -	$ 929,798	$ -	$ 929,798
Guaranteed Revenue Debt Common Reserve Fund	54,003	-	-	54,003
Lottery For Education	856,156	-	-	856,156
Roads and Bridges (Motor Fuel Tax Funds)	1,839,054	-	117,907	1,956,961
Unissued Debt/Debt Service	180,784	-	129,482	310,266
Other				
General Government				
Unclaimed Property	66,394			66,394
Other	22,092	39,008	-	61,100
Education	4,131	-	-	4,131
Health and Welfare				
Community Health	51,635	-	-	51,635
Human Services	19,926	-	-	19,926
Public Health	10,938	-	-	10,938
Other	21,801	-	-	21,801
Transportation	95,992	-	-	95,992
Public Safety	64,130	-	-	64,130
Economic Development and Assistance	31,621	-	-	31,621
Culture and Recreation	52,838	-	-	52,838
Total Restricted Fund Balance	$3,371,495	$ 968,806	$ 247,389	$4,587,690

(continued)

NOTE 4 - NET POSITION/FUND BALANCES (continued)

	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Total
Committed Fund Balance				
General Government	$ 828	$ -	$ -	$ 828
Health and Welfare	939	-	-	939
Public Safety	1,465	-	-	1,465
Total Committed Fund Balance	$ 3,232	$ -	$ -	$ 3,232
Assigned Fund Balance				
General Government	$ 79,802	$ 49,385	$ -	$ 129,187
Education	10,236	-	-	10,236
Health and Welfare				
Community and Hospital Operations	95,337	-	-	95,337
Other	56,699	-	-	56,699
Transportation	5,258	-	23,463	28,721
Public Safety	69,304	-	-	69,304
Economic Development and Assistance	4,182	-	1,531	5,713
Culture and Recreation	3,965	-	110	4,075
Conservation	769	-	-	769
Total Assigned Fund Balance	$ 325,552	$ 49,385	$ 25,104	$ 400,041

C. Deficit Net Position

There are no reported total net position deficits at June 30, 2014. However, the governmental activities of the State ended the year with an Unrestricted Net Position deficit of $1.6 billion. The deficit is a result of the State incurring debt for the purposes of capital acquisition and construction on behalf of county and independent school systems and State schools. As of June 30, 2014 outstanding general obligation bonds applicable to these projects was $2.2 billion. Since the incurrence of this debt does not result in capital assets acquisitions for the State, the debt is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category.

NOTE 5 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of June 30, 2014 are classified in the accompanying financial statements as follows (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Cash and Cash Equivalents	$ 5,530,040	$ 1,675,336	$ 7,205,376
Investments	3,612,083	2,621,498	6,233,581
Restricted Assets			
Cash and Cash Equivalents	305,605	203,557	509,162
Investments	80,623	964,905	1,045,528
Fiduciary Funds			
Cash and Cash Equivalents	8,296,393	-	8,296,393
Investments	83,720,308	-	83,720,308
Total Cash and Investments	**$ 101,545,052**	**$ 5,465,296**	**$ 107,010,348**

Cash on hand, deposits and investments as of June 30, 2014 consist of the following (amount in thousands):

	Primary Government and Fiduciary Funds	Component Units	Total
Cash on Hand	$ 1,984	$ 63	$ 2,047
Deposits with Financial Institutions (Note 5A)	6,586,155	834,179	7,420,334
Investments (Note 5B)	96,046,545	3,541,422	99,587,967
Assets Held at the Board of Regents on Behalf of Other Organizations	(48,840)	48,840	-
Assets Held at the Office of the State Treasurer on Behalf of Other Organizations	(1,040,792)	1,040,792	-
Total Cash and Investments	**$ 101,545,052**	**$ 5,465,296**	**$ 107,010,348**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. Deposits

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

The Board permits OST to invest in deposit agreements in approved banks as an alternative to purchasing commercial paper and corporate notes issued by highly rated U.S. banks because of the clear preference of all depositor claims, insured and uninsured, over general creditors. OST has been advised that there is a clear and significant difference in favor of deposits over commercial paper in the event of insolvency or liquidation of a U.S. bank thus, OST gives preference to interest bearing demand deposits due to both a preference in safety of capital and daily liquidity. For any single financial institution, investments deposit agreements, in approved banks that are not collateralized or secured as described below, together with purchases of commercial paper, cannot exceed 5% of total portfolio assets invested by OST. In fiscal year 2014, OST had deposit agreements at seven qualifying institutions in lieu of holding commercial paper or corporate notes issued by those institutions. (See "OST Investment Policy" below, for additional information.)

As of June 30, 2014, OST had $3.3 billion invested in negotiated deposit agreements, of which, $2.3 billion was insured or fully collateralized and $1.0 billion 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 OCGA 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 OCGA 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.

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, 2014, bank balances of the primary government and its component units' deposits totaled $7.6 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, $1.4 billion were exposed to custodial credit risk as follows (amount in thousands):

	Primary Government	Component Units	Total
Uninsured and uncollaterized	$ 1,101,885	$ 18,992	$ 1,120,877
Uninsured and collateralized with securities held by the pledging financial institutions	17,420	4,660	22,080
Uninsured and collateralized with securities held by the pledging institutions' trust departments or agents, but not in the State's name	97,513	146,028	243,541
Total deposits exposed to custodial credit risk	**$ 1,216,818**	**$ 169,680**	**$ 1,386,498**

The carrying amounts of deposits of certain higher education foundations which utilize FASB standards were $102.3 million. These deposits are not included in the balances reflected above.

B. Investments

Primary Government

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

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 OCGA Sections 50-5A-7, 50-17-2, 50-17-27 and 50-17-63. Authorized investments are subject to certain restrictions pursuant to the OST Investment Policy and specific guidelines for the individual portfolios managed by OST. Authorized investments and related restrictions and guidelines are described, below.

1) Obligations of the United States and its subsidiary corporations and instrumentalities or entities sanctioned or authorized by the United States, and the following investments subject to credit constraints as described, below:
2) Repurchase agreements – Repurchase agreements and reverse repurchase agreements may be transacted with authorized dealers and banks that are rated investment grade by one or more nationally recognized rating agency, 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. 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 OCGA 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 may be approved by the State Treasurer for dealer banks if necessary on occasion and 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 the financial institution's 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. Pledged securities shall be held by a third party custodian and have market value at least 110% of the investment.
4) Commercial paper ("CP") – CP issued by domestic corporations carrying ratings no lower than P-1 by Moody's Investors Service and A-1 by Standard & Poor's Corporation, in an amount, including the balance of any negotiated investment deposit agreements described in (5) (d), below, that does not exceed 5% of total portfolio assets for any single issuer.
5) Negotiated investment deposit agreements – Deposit agreements with banks that are (a) secured by collateral permitted by statute, held by a third party custodian, marked to market daily, and having a market value equal to, or exceeding 110% of the deposits; (b) fully secured by a letter of credit issued by the Federal Home Loan Bank; (c) fully secured by a surety bond issued by a financial institution approved by the State Depository Board; or, (d) subject to funds being available upon demand, with U.S. banks carrying ratings no lower than P-2 by Moody's Investors Service or A-2 by Standard & Poor's Corporation, are determined by the State Treasurer to have adequate capital, with maximum exposure per institution determined by the State Treasurer and adjusted as needed due to the financial condition of such institutions, the size of the OST investment portfolios, and in accordance with the OST counterparty risk assessment model in an amount, including any CP issued by the

respective financial institution held for investment by OST, that does not exceed 5% of portfolio assets for any single institution.

6) Prime bankers acceptances – Bankers acceptances must carry the highest rating assigned to such investments by a nationally recognized rating agency.
7) Obligations issued by this State or its agencies or other political subdivisions of this State – Such investments, if meeting statutory investment requirements, may be approved for investment by the State Treasurer with the requirement that they are of high credit quality and are reported to the State Depository Board.
8) Obligations of corporations – Obligations of domestic corporations must be rated investment grade or higher by a nationally recognized rating agency.
9) Obligations issued by the government of any foreign country – Direct obligations of the government of any foreign country must be rated A or higher by a nationally recognized rating agency.
10) International Bank for Reconstruction and Development or the International Financial Corporation – Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation must be rated A or higher by a nationally recognized rating agency.
11) Such other limitations as determined by the State Treasurer to be necessary for the preservation of principal, liquidity or marketability of any of the portfolios managed by OST.

Investment Policy for Approved Agency Accounts

The OST Investment Policy does not authorize organizations other than OST to invest funds. OCGA 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 the Board of Regents of the University System of Georgia, 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, 2014, no State organizations had received Board approval to establish investment accounts governed by the Investment Policy for Approved Agencies.

Board of Regents Investment Policies

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

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

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

1) <u>Short Term Fund</u> – The Short Term fund provides a current return and stability of principal while affording a means of overnight liquidity for projected cash needs. The investment maturities of the fund will range between daily and two years.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2) Legal Fund - The Legal fund provides an opportunity for greater income and modest principal growth to the extent possible with the securities allowed under Georgia Code 50-17-59 and 50-17-63. The average maturity of 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 should be one of treasury and agency quality, possessing virtually no degree of financial risk.

3) Balanced Income Fund - The Balanced Income fund is designed to be a vehicle to invest funds that are not subject to the state regulations concerning investing in equities. This fund is comprised of fixed income, equity and cash equivalent instruments.

   The equity allocation range shall be between 30% and 40%, with a target of 35% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 60% and 70%, with a target of 65% of the total portfolio. Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality institutional money market mutual funds or other high quality, short term instruments.

4) Total Return Fund - The Total Return fund is another pool designed to be a vehicle to invest funds that are not subject to state regulations concerning investing in equities. This pool offers the greatest percentage of overall equity exposure, with well over half of the funds typically invested in equities.

   The equity allocation range shall be between 60% and 70%, with a target of 65% of the total portfolio. The fixed income (bond) portion of the portfolio shall be between 30% and 40%, with a target of 35% of the total portfolio. Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality institutional money market mutual funds or other high quality, short term instruments.

5) Diversified Fund - The Diversified fund is designed to gain further diversification and increase exposures to assets that have lower correlation to equity and bond markets by utilizing alternative asset classes. In addition, this fund is constructed to build an optimal portfolio where return is increased and risk is reduced.

   The equity allocation range shall be between 50% and 75% of the portfolio. The fixed income (bond) portion of the portfolio shall be between 20% and 40%. The portfolio may also consist of Hedge Funds, Real Estate and Venture Capital/Private Equity/Post Venture Capital.

   a) *Hedge Funds* – The investment approach to this asset class is to use a multi-strategy, multi-manager fund of hedge funds. The Board of Regents believes that a fund of fund strategy will provide the best access to a highly diversified pool of hedge fund strategies and managers.

   b) *Real Estate* – The Board of Regents' approach to investing in this asset class is to use real estate investment trusts (REITs). REITs are more liquid than owning commercial real estate and diversification can be achieved by purchasing a mutual fund.

   c) *Venture Capital/Private Equity/Post Venture Capital* – This asset class is the riskiest and most volatile permitted investment opportunity. This asset should be considered as an additional diversification investment strategy due to the low correlation with stock and bonds.

   d) Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund. Reserves and excess income should be invested at all times in practical amounts. Reserves can be invested in high quality, institutional money market mutual funds or other high quality, short term instruments.

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

In accordance with OCGA, 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 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 OCGA, 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. 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,

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

private investments in public securities, Recapitalizations, Privatizations, Mezzanine debt investments, Distressed Debt and Equity investments, Convertible Securities, Receivables, Debt and Equity Derivative Instruments, etc. The amount invested by an eligible large retirement system in alternative investments may not in the aggregate exceed five percent 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, 2014, are available as follows (amount in thousands):

	Fair Value
Cash Held by Investment Organization	$ 140,575
Certificates of Deposit	760
Commodity Fund	27,161
Corporate Bonds	203,540
Diversifying Strategies	50,971
Equity Securities	796,520
Fixed Income	89,372
Government and Agency Securities	23,728
Hedge Funds	339,422
Investment Pools	809,030
Joint Ventures/Partnerships	2,050
Money Market Accounts	15,420
Mutual Funds	60,975
Natural Resources	86,827
Real Estate	131,520
Split-interest Investments	275
Total Investments	**$ 2,778,146**

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

Interest Rate Risk

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

Primary Government

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

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

1) In the Short Term fund, the average maturity of the fixed income portfolio shall not exceed three years. In all other pooled funds, the average maturity of the fixed income portfolio shall not exceed ten 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 OCGA Section 50-17-63.
3) The fixed income target allocation is defined in the investment policy guidelines for each pooled investment fund. These targets may be modified upon recommendation of the fund's investment manager and approval by the BOR.

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

	Total Fair Value	Maturity Period: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	$ 6,860	$ -	$ -	$ 4,843	$ 2,017	$ -
Commercial Paper	977,317	977,317	-	-	-	-
Corporate Debt						
Domestic	77,616	21	2,193	29,296	41,574	4,532
International Government						
Obligations	5,014	-	-	5,014	-	-
Money Market Mutual Funds	82,290	69,148	12,562	580	-	-
Mortgage-Backed Securities						
Commercial	10,230	-	-	7,703	-	2,527
Municipal Bonds	1,135	-	80	603	452	-
Mutual Funds - Debt*	50,860	7	47	27,280	23,035	491
Repurchase Agreements	5,524,055	3,734,055	1,790,000	-	-	-
U.S. Agency Obligations	4,897,293	1,249,391	1,966,670	1,323,628	123,977	233,627
U.S. Treasury Obligations	127,489	11,078	55,242	56,003	5,072	94
Total Debt Securities	**11,760,159**	**$ 6,041,017**	**$ 3,826,794**	**$ 1,454,950**	**$ 196,127**	**$ 241,271**
Equity Securities - Domestic	163,912					
Equity Securities - International	38,528					
Funds on Deposit with U. S. Treasury for Unemployment Compensation	451,785					
Mutual Funds - Equity	108,687					
Real Estate	37,352					
Real Estate Investment Trust	13,212					
Total Investments	**$ 12,573,635**					

*Maturity Period is weighted average maturity.

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	$ 11,828,427	4.1
International Obligations:		
Government	398,236	3.3
Corporate	1,409,031	3.7
Repurchase Agreements	115,000	0.0
U.S. Agency Obligations	10,028	1.3
U.S. Treasury Obligations	8,159,293	4.9
Total Debt Securities	21,920,015	
Common Stock		
Domestic	43,092,946	
International	15,405,010	
Mutual Funds - Equity	1,209,580	
Private Equity	21,914	
Total Investments	**$ 81,649,465**	

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):

		Maturity Period				
	Total Fair Value	Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities - Domestic	$ 30,526	$ -	$ 38	$ 10,618	$ 5,102	$ 14,768
Corporate Debt						
Domestic	152,161	683	4,899	54,636	59,605	32,338
International	12,321	15	590	4,421	3,855	3,440
Money Market Mutual Funds	53,230	53,230	-	-	-	-
Mortgage-Backed Securities						
Commercial	106,510	-	-	179	2,618	103,713
Municipal Bonds	3,282	-	-	191	835	2,256
Mutual Funds - Debt*	41,407	-	-	31,389	7,444	2,574
U.S. Agency Obligations	82,580	-	500	5,863	4,388	71,829
U.S. Treasury Obligations	47,283	-	-	23,573	13,564	10,146
Total Debt Securities	**$ 529,300**	**$ 53,928**	**$ 6,027**	**$130,870**	**$ 97,411**	**$241,064**
Equity Securities						
Domestic	508,590					
International	23,107					
Mutual Funds - Equity	717,347					
Real Estate Investment Trust	45,101					
Total Investments	**$ 1,823,445**					

*Maturity period is weighted average maturity.

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: Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Asset-Backed Securities	$ 15,028	$ -	$ -	$ 4,769	$ 1,586	$ 8,673
Corporate Debt						
Domestic	74,312	1,973	8,967	50,975	11,148	1,249
International	7,476	406	2,072	3,518	1,480	-
Investment Agreements	32,866	-	-	-	5,468	27,398
Money Market Mutual Funds	11,731	11,731	-	-	-	-
Mortgage-Backed Securities						
Commercial	136,973	-	-	17,951	1,575	117,447
Municipal Bonds	20,665	-	-	4,596	4,658	11,411
Mutual Funds - Debt*	34,233	1,215	1,589	27,843	496	3,090
Repurchase Agreements	29,771	24,006	-	-	-	5,765
U.S. Agency Obligations	84,088	1,099	398	54,711	10,059	17,821
U.S. Treasury Obligations	239,365	8,472	19,482	103,719	65,261	42,431
Total Debt Securities	**686,508**	**$ 48,902**	**$ 32,508**	**$ 268,082**	**$ 101,731**	**$ 235,285**
Equity Securities						
Domestic	37,862					
International	13,606					
Mutual Funds - Equity	25,300					
Total Investments	**$ 763,276**					

* Maturity Period is weighted average maturity.

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 OCGA 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.

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	AAA	AA	A-1+	A-1	A-2	A	BBB	BB	Not Rated
Asset-Backed Securities	$ 6,860	$ 6,860	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Paper	977,317	-	-	600,738	376,579			-	-	-
Corporate Debt										
Domestic	77,616	10	6,112	-	-	-	16,606	7,448	-	47,440
International Government										
Obligations	5,014	-	-	-	-	-	-	-	-	5,014
Money Market Mutual Funds	82,290	57,264	5,953	-	-	-	-	-	-	19,073
Mortgage-Backed Securities										
Commercial	10,230	8,202	547	-	-	-	1,481	-	-	-
Municipal Bonds	1,135	57	-	-	-	-	-	-	-	1,078
Mutual Funds - Debt	50,860	15,771	2,691	-	-	-	3,773	13,690	4,794	10,141
Repurchase Agreements	4,982,429	-	-	2,650,275	2,170,747	154,860		6,547	-	-
U. S. Agency Obligations	4,807,613	2,168	2,624,695	-	-	-	1,636,241	-	-	544,509
Total Credit Risk - Investments	**11,001,364**	**$ 90,332**	**$ 2,639,998**	**$ 3,251,013**	**$ 2,547,326**	**$ 154,860**	**$ 1,658,101**	**$ 27,685**	**$ 4,794**	**$ 627,255**
U.S. Treasury Obligations	127,489									
U.S. Agency Obligations										
Explicitly Guaranteed	89,680									
Repurchase Agreements Backed by:										
U. S. Treasury Obligations	194,906									
U. S. Agency Obligations										
Explicitly Guaranteed	346,720									
Total Debt Securities	**$ 11,760,159**									

Long-term ratings are presented except for "A-1+", "A-1", and "A-2" which are short-term ratings.

Fiduciary Funds – Pension and Other Employee Benefit Trust Funds

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

	Total Fair Value	Asset-Backed Securities Domestic	Corporate Debt Domestic	Corporate Debt International	International Government Obligations	Money Market Mutual Funds	Mortgage-Backed Securities	Municipal Bonds	Mutual Funds - Debt	Repurchase Agreements	U.S. Agency Obligations
AAA	$ 1,113,404	$ 25,992	$ 1,046,650	$ -	$ -	$ -	$ 23,683	$ -	$ -	$ -	$ 17,079
AA	4,501,664	1,907	2,672,095	1,409,633	398,236	-	6,500	1,347	-	-	11,946
A	8,311,070	636	8,174,714	5,184	-	-	12,594	1,935	1,007	115,000	-
BBB	111,337	1,541	83,001	5,992	-	-	20,433	-	370	-	-
BB	21,908	298	2,052	293	-	-	19,265	-	-	-	-
B	11,213	-	-	-	-	-	11,213	-	-	-	-
CCC	5,306	-	-	-	-	-	5,306	-	-	-	-
CC	1,750	-	-	-	-	-	1,750	-	-	-	-
C	982	-	-	-	-	-	982	-	-	-	-
D	1,040	-	-	-	-	-	1,040	-	-	-	-
Unrated	163,065	152	2,076	250	-	53,230	3,744	-	40,030	-	63,583
Total Credit Risk - Investments	**14,242,739**	**$ 30,526**	**$ 11,980,588**	**$ 1,421,352**	**$ 398,236**	**$ 53,230**	**$ 106,510**	**$ 3,282**	**$ 41,407**	**$ 115,000**	**$ 92,608**
U.S. Treasury Obligations	8,206,576										
Total Debt Securities	**$22,449,315**										

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	Asset-Backed Securities Domestic	Corporate Debt Domestic	Corporate Debt International	Investment Agreements	Money Market Mutual Funds	Mortgage-Backed Securities - Commercial	Municipal Bonds	Mutual Funds - Debt	Repurchase Agreements	U.S. Agency Obligations
AAA	$ 93,329	$ 8,908	$ 5,100	$ 3,644	$ 23,806	$ 936	$ 102	$ 20,101	$ 795	$ 5,765	$ 24,172
AA	212,822	2,584	16,291	471	8,199	-	118,920	512	17,364	-	48,481
A	43,802	2,481	34,256	2,182	861	-	-	-	4,022	-	-
BBB	20,106	877	18,297	932	-	-	-	-	-	-	-
BB	402	-	155	247	-	-	-	-	-	-	-
CCC	230	178	-	-	-	-	-	52	-	-	-
Unrated	65,017	-	213	-	-	10,795	17,951	-	12,052	24,006	-
Total Credit Risk - Investments	**435,708**	**$ 15,028**	**$ 74,312**	**$ 7,476**	**$ 32,866**	**$ 11,731**	**$ 136,973**	**$ 20,665**	**$ 34,233**	**$ 29,771**	**$ 72,653**
U.S. Treasury Obligations	239,365										
U.S. Agency Obligations Explicitly Guaranteed	11,435										
Total Debt Securities	**$ 686,508**										

Custodial Credit Risk – Investments

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

Primary Government

OST 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.

At June 30, 2014, $684.6 million of the primary government's investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

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, 2014, $188.5 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.

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. At June 30, 2014, $58.3 million of the component units' investments were uninsured, unregistered and held by the counterparty or the counterparty's trust department, but not in the State's name.

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, 2014, approximately 58.4% 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. agency securities 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, 2014, 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, 2014, 9.5% of the component units' total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. Government.

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, 2014, the State's exposure to foreign currency risk in U.S. Dollars is highlighted in the table below:

International Investment Securities at Fair Value as of June 30, 2014

	Employees' Retirement System of Georgia			Teachers Retirement System of Georgia			Firefighters' Pension Fund		
Currency	Equities	Fixed Income	Total	Equities	Fixed Income	Total	Equities	Fixed Income	Total
Australian Dollar	32,533,321	-	32,533,321	131,604,396	-	131,604,396	-	-	-
Brazilian Real	3,411,073	-	3,411,073	13,620,569	-	13,620,569	-	-	-
British Pound	77,785,672	-	77,785,672	311,435,185	-	311,435,185	-	-	-
Canadian Dollar	9,047,130	-	9,047,130	36,046,503	-	36,046,503	4,207	-	4,207
Danish Krone	6,049,169	-	6,049,169	25,401,608	-	25,401,608	-	-	-
Euro	42,507,522	-	42,507,522	171,899,682	-	171,899,682	-	-	-
Hong Kong Dollar	51,614,155	-	51,614,155	205,659,382	-	205,659,382	-	-	-
Indonesian Rupiah	160,979	-	160,979	654,779	-	654,779	-	-	-
Japanese Yen	34,209,250	-	34,209,250	137,799,001	-	137,799,001	-	-	-
Malaysian Ringgit	4,440,277	-	4,440,277	17,768,832	-	17,768,832	-	-	-
Mexican Peso	6,268,212	-	6,268,212	25,997,953	-	25,997,953	-	-	-
New Taiwan Dollar	2,076,806	-	2,076,806	8,246,942	-	8,246,942	-	-	-
New Zealand Dollar	1,059,524	-	1,059,524	4,196,133	-	4,196,133	-	-	-
Norwegian Krone	4,921,378	-	4,921,378	19,429,856	-	19,429,856	-	-	-
Philippine Peso	603,656	-	603,656	2,390,669	-	2,390,669	-	-	-
Polish Zloty	2,437,174	-	2,437,174	9,862,641	-	9,862,641	-	-	-
Singapore Dollar	8,560,399	-	8,560,399	34,695,189	-	34,695,189	-	-	-
South African Rand	18,382,292	-	18,382,292	73,419,129	-	73,419,129	-	-	-
South Korean Won	4,686,622	-	4,686,622	18,652,175	-	18,652,175	-	-	-
Swedish Krona	10,616,447	-	10,616,447	41,764,139	-	41,764,139	-	-	-
Swiss Franc	6,189,798	-	6,189,798	25,374,660	-	25,374,660	-	-	-
Thailand Baht	6,403,462	-	6,403,462	25,384,708	-	25,384,708	-	-	-
Total Holdings subject to Foreign Currency Risk	333,964,318	-	333,964,318	1,341,304,131	-	1,341,304,131	4,207	-	4,207
Investment Securities payable in U.S. Dollars	2,665,423,257	355,415,980	3,020,839,237	11,064,319,185	1,451,851,020	12,516,170,205	2,932	4,896	7,828
Total International Investment Securities - at Fair Value	$ 2,999,387,575	$ 355,415,980	$ 3,354,803,555	$ 12,405,623,316	$ 1,451,851,020	$ 13,857,474,336	$ 7,139	$ 4,896	$ 12,035

C. 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.

Primary Government

In the primary government's securities lending agreement, securities are transferred to an independent broker in exchange for collateral in the form of cash and/or securities issued by the U.S. Treasury or its agencies. The collateral value must be equal to at least 100% to 102% of the loaned securities value, depending on the type of collateral. Cash collateral is reinvested in repurchase agreements indemnified by the State's custodian.

Securities loaned totaled $2.0 million at June 30, 2014, and the collateral value was equal to 102.0%. 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 Net Position, and a corresponding liability is not recorded, since the State does not pledge or trade the collateral 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 $19.6 billion at June 30, 2014, and the collateral value was equal to 104.0%. 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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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.

D. 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, 2014, the Department held surety bonds in the amount of $30.4 million, and cash bonds in the amount of $17.3 million. These bonds are not recorded on the Balance Sheet.

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, 2014, securities valued at $199.3 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 $5.8 billion for construction performance to ensure proper completion and complete performance of construction contracts, and $6.3 billion for construction payment to ensure that payments are made by the general contractor to all subcontractors. These bonds are not recorded on the Balance Sheet.

The GSFIC State Construction Manual policies require that surety bonds be provided for payment and performance of all State projects of $100,000 or more. The Department of Corrections holds surety bonds in the amount of $16.7 million for construction performance to ensure proper completion and complete performance of construction contracts. These bonds are not recorded on the Balance Sheet.

For any organization that elects to assume the liability for unemployment compensation payments in lieu of making contributions to the Unemployment Compensation Fund, the Commissioner of the Department of Labor is authorized by statute to require such organization to execute and file with the Commissioner a cash deposit or surety bond. Cash deposits are held on behalf of such organizations in the Department's name, and are reported as agency funds. At June 30, 2014, the Department held surety bonds in the amount of $62.0 million. These bonds are not recorded on the Statement of Net Position.

E. Investment Pools

The state operates two local government investment pools managed by OST and comprised of Georgia Fund 1, its primary liquidity portfolio and the Georgia Extended Asset Pool. Both funds invest State funds and funds of other governmental entities in the State. Separate reports on the State's investment pools are not issued. Condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 2014, and related risk disclosures for investments are as follows:

Georgia Fund 1

Georgia Fund 1 is a Standard & Poor's AAAf rated investment pool which is managed by OST to maintain principal stability. The pool is not registered with the SEC as an investment company and the State does not consider Georgia Fund 1 to be a 2a7-like pool.

Georgia Fund 1
Statement of Net Position
June 30, 2014
(amount in thousands)

Assets		
Cash and Cash Equivalents	$	10,930,091
Interest Receivable		1,734
Net Position	**$**	**10,931,825**
Distribution of Net Position		
External Participant Account Balances	$	6,454,131
Internal Participant Account Balances		4,477,694
Total Net Position	**$**	**10,931,825**

Georgia Fund 1
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2014
(amount in thousands)

Additions		
Pool Participant Deposits	$	32,833,793
Interest and Other Investment Income		
Interest		17,948
Net Increase in the		
Fair Value of Investments		1,239
Less: Investment Expense		(3,777)
Total Additions		**32,849,203**
Deductions		
Pool Participant Withdrawals		31,793,514
Net Increase		**1,055,690**
Net Position		
July 1, 2013		9,876,135
June 30, 2014	**$**	**10,931,825**

Deposits

Because the State does not maintain separate bank accounts for Georgia Fund 1, separate custodial credit risk disclosures for the Fund's deposits cannot be presented. The carrying amount of the Fund's deposits as of June 30, 2014, was $3.3 billion. This amount is included in the deposit disclosures of the primary government.

Investments

Georgia Fund 1 follows applicable investing criteria and investment risk management policies as previously described for the primary government. In addition, OST restricts investments of the pool in order to maintain the Standard and Poor's AAAf rating and to provide liquidity to participants.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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. The Fund's investments and exposure to interest rate risk are presented below (amount in thousands):

	Total Fair Value	Maturity Period: Less than 3 Months	Maturity Period: 4 - 12 Months	Range of Yields
Commercial Paper	$ 977,317	$ 977,317	$ -	.150% - .230%
Repurchase Agreements	3,475,000	3,210,000	$ 265,000	.080% - .350%
U.S. Agency Obligations	3,128,219	1,201,759	1,926,461	.110% - .173%
Total Investments	**$ 7,580,536**	**$ 5,389,076**	**$ 2,191,461**	

Credit Risk

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

	Total Fair Value	Credit Rating: AA	A-1+	A-1	A-2	A	Unrated
Commercial Paper	$ 977,317	$ -	$ 600,738	$ 376,579	$ -	$ -	$ -
Repurchase Agreements	2,986,514	-	1,545,275	1,355,747	85,492	-	-
U.S. Agency Obligations	3,128,219	1,342,082				1,636,207	149,930
Total Credit Risk - Investments	**$ 7,092,050**	**$ 1,342,082**	**$ 2,146,013**	**$ 1,732,326**	**$ 85,492**	**$ 1,636,207**	**$ 149,930**
Repurchase Agreements Backed by:							
U. S. Treasury Obligations	192,398						
U. S. Agency Obligations							
Explicitly Guaranteed	296,088						
Total Debt Securities	**$ 7,580,536**						

Ratings "AA" and "A" are long-term ratings. Ratings "A-1+", "A-1", and "A-2" are short-term ratings.

Concentration of Credit Risk

For overnight repurchase agreements, OST limits each counterparty to 25% of the total pool. For U.S. Government-sponsored enterprises, OST limits such agencies to no more than 33.3% of the total pool. For commercial paper and negotiated investment deposit agreements, OST manages to a target of 5% for any single institution. At June 30, 2014, approximately 71.7% of the Fund'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 U.S. agency securities not explicitly guaranteed by the U.S. Government. In addition, 7.9% were investments in Commercial Paper with U.S. Bank.

Georgia Extended Asset Pool

The Georgia Extended Asset Pool (GEAP) is a variable net asset value investment pool that adheres to Standard and Poor's credit quality criteria for AA+f rated funds. The pool is not registered with the SEC as an investment company.

Georgia Extended Asset Pool
Statement of Net Position
June 30, 2014
(amount in thousands)

Assets		
Investments	$	229,593
Interest Receivable		253
Net Position	**$**	**229,846**
Distribution of Net Position		
External Participant Account Balances	$	125,682
Internal Participant Account Balances		104,164
Total Net Position	**$**	**229,846**

Georgia Extended Asset Pool
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2014
(amount in thousands)

Additions		
Pool Participant Deposits	$	56,000
Interest and Other Investment Income		
Interest		1,116
Net Decrease in the		
Fair Value of Investments		(393)
Less: Investment Expense		(93)
Total Additions		**56,630**
Deductions		
Pool Participant Withdrawals		67,369
Net Increase		**(10,739)**
Net Position		
July 1, 2013		240,585
June 30, 2014	**$**	**229,846**

Deposits

Because the State does not maintain separate bank accounts for GEAP, separate custodial credit risk disclosures for GEAP's deposits cannot be presented. The carrying amount of GEAP's deposits as of June 30, 2014, was $14.2 million. This amount is included in the deposit disclosures of the primary government.

Investments

GEAP follows applicable investing criteria and investment risk management policies as previously described for the primary government. In addition, OST restricts investments of GEAP in order to maintain the Standard and Poor's AA+f rating.

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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. GEAP's investments and exposure to interest rate risk are presented below (amount in thousands):

	Total Fair Value	Maturity Period: Less than 3 Months	Maturity Period: 1 - 5 Years	Range of Yields
Repurchase Agreements	$ 170,000	$ 170,000	$ -	0.080% - 0.250%
U.S. Agency Obligations	45,433	20,317	25,116	0.351% - 3.032%
Total Investments	$ 215,433	$ 190,317	$ 25,116	

Credit Risk

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

	Total Fair Value	Credit Rating: AA	Credit Rating: A-1+
Repurchase Agreements	$ 170,000	$ -	$ 170,000
U.S. Agency Obligations	45,433	45,433	-
	$ 215,433	$ 45,433	$ 170,000

"AA" is a long-term rating and "A-1+" is a short-term rating.

Concentration of Credit Risk

At June 30, 2014, more than 5% of the Fund's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government. These investments represented 58.6% of total investments.

NOTE 6 - DERIVATIVE INSTRUMENTS

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

Primary Government

The fair value balance and notional amount of the interest rate swap hedging derivative investment outstanding as reported in the fiscal year 2014 financial statements are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 6/30/2014		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
VSU Auxiliary Services Real Estate Foundation, Inc. 2008B - Interest Rate Swap	Deferred outflow of resources	3,842	Debt	$ (3,769)	28,435

The fair value balance and notional amount of the interest rate swap hedging derivative investment outstanding as reported in the fiscal year 2013 financial statements are as follows (in thousands):

	Change in Fair Value		Fair Value at 6/30/2013		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
VSU Auxiliary Services Real Estate Foundation, Inc. 2008B - Interest Rate Swap	Deferred outflow of resources	168	Debt	$ (7,610)	28,545

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

The VSU Foundation has an outstanding interest rate swap agreement effectively changing the interest rate exposure on the $28.4 million bond payable from variable to a 4.05% fixed rate over the term of the bond payable. As of December 31, 2013, the total notional amount of the swap was $28.4 million. As of December 31, 2013, the fair value of this interest rate swap was a liability of $3.8 million. The VSU Foundation recorded a gain on the swap of $3.8 million for the year ended December 31, 2013.

Revenue bonds in the amount of $28.7 million ("Series 2008B Bonds"), were issued June 19, 2008 by the South Regional Joint Development Authority ("the Authority"), a public body corporate and politic created pursuant to the constitution and laws of the State of Georgia, including Development Authorities Law, as amended, and were loaned to Georgia & Reade LLC, (a limited liability corporation owned solely by the VSU Foundation) (Company) to finance the construction of the Georgia Hall Project and the Reade Hall Project. The bonds were issued pursuant to the Development Authorities Law of the State of Georgia and in accordance with the provisions of a Trust Indenture dated June 1, 2008 between the Authority and Wells Fargo Bank, National Association, as the trustee ("the Trustee"). The Series 2008B Bonds were issued in the form of fully registered bonds in the denominations of $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, 20I0. Additional security for the Series 2008B Bonds each consists of; 1) the trust estate (from which the bonds are payable); 2) the

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

Debt Service Reserve Fund; 3) the loan agreement; 4) the project estate and personal property as set forth in the security deed, agreements and documents relating to the construction and management of the project; and 5) any and all rents and leases for use of the project property.

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

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

Component Unit

A. Component Unit – GASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2014 financial statements for higher education foundations reported as component units reporting under GASB provisions are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 6/30/2014		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
University of Georgia Athletic Association, Inc.					
2003 - Interest Rate Swap	Deferred outflow of resources	$ 36	Debt	$ (2,093)	$ 14,597
2005A - Interest Rate Swap	Deferred outflow of resources	276	Debt	(1,208)	9,325
2005B - Interest Rate Swap	Deferred outflow of resources	(7)	Debt	(4,115)	24,800
				$ (7,416)	

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2013, and the changes in fair value of such derivative instruments for the year then ended as reported in the fiscal year 2013 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 6/30/2013		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - GASB					
Cash flow hedges:					
University of Georgia Athletic Association, Inc.					
2003 - Interest Rate Swap	Deferred outflow of resources	$ 1,155	Debt	$ (2,129)	$ 15,219
2005A - Interest Rate Swap	Deferred outflow of resources	624	Debt	(1,485)	10,375
2005B - Interest Rate Swap	Deferred outflow of resources	2,225	Debt	(4,108)	25,545
				$ (7,722)	

Interest Rate Swap Derivatives – GASB Organizations

University of Georgia Athletic Association, Inc. (UGAA)

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2014 financial statements are documented above. For derivative transactions, unless otherwise specified, Bank of America Merrill Lynch (BOAML) furnishes a single value for each transaction, even if comprised of multiple legs. Unless otherwise specified, valuations for derivative instruments represent, or are derived from, mid-market values. For some derivative instruments, mid-market prices and inputs may not be observable. Instead, valuations may be derived from proprietary or other pricing models based on certain assumptions regarding past, present and future market conditions. Some inputs may be theoretical, not empirical, and require BOAML to make subjective assumptions and judgments in light of their experience. For example, in valuing over-the-counter (OTC) equity options where there is no listed option with a corresponding expiration date, BOAML must estimate the future share price volatility based on realized volatility of the underlying shares over periods deemed relevant, implied volatilities of the longest dated listed options available on the underlying shares or major indices and other relevant factors. Valuations of securities with embedded derivatives may be based on assumptions as to the volatility of the underlying security, basket or index, interest rates, exchange rates, dividend yields, correlations between these or other factors, the impact of these factors upon the value of the security (including the embedded options), as well as issuer funding rates and credit spreads (actual or approximated) or additional relevant factors. While BOAML believes that the methodology and data they use to value derivatives and securities with embedded derivatives are reasonable and appropriate, other dealers might use different methodology or data and may arrive at different valuations.

Objective and Terms - As a means of interest rate management, UGAA entered into three separate interest rate swap transactions with Bank of America, N.A. (the Counterparty) relating to its variable rate tax-exempt Series 2003 Bonds, taxable Series 2005 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.

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

As of June 30, 2014, the fair value of the interest rate swap agreement on the 2003 Series Bonds was $(2.1 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

As of June 30, 2014, the fair value of the interest rate swap agreement on the 2005A Series Bonds was $(1.2 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

As of June 30, 2014, the fair value of the interest rate swap agreement on the 2005B Series Bonds was $(4.1 million), indicating the amount that UGAA would be required to pay the Counterparty to terminate the swap agreement.

Swap Payments and Associated Debt – As of June 30, 2014, 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 (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds		Interest Rate	
	Principal	Interest	Swaps, Net	Total
Year ending:				
2015	$ 2,480.0	$ 17.5	$ 1,707.4	$ 4,204.9
2016	2,535.0	15.9	1,604.1	4,155.0
2017	2,595.0	14.2	1,498.5	4,107.7
2018	2,660.0	12.6	1,390.2	4,062.8
2019	2,730.0	10.8	1,279.0	4,019.8
2020-2024	12,090.0	31.6	4,823.7	16,945.3
2025-2029	9,575.0	18.0	3,084.8	12,677.8
2030-2034	10,955.0	7.6	1,309.8	12,272.4
2035-2038	3,105.0	0.3	54.7	3,160.0
Total	**$ 48,725.0**	**$ 128.5**	**$ 16,752.2**	**$ 65,605.7**

Credit Risk - As of June 30, 2014, 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 $16.8 million less the cumulative fair value of $7.4 million.

As of June 30, 2014, the Counterparty was rated as follows by Moody's and S&P:

	Moody's	S&P
Bank of America, N.A.	A2	A

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

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

B. Component Unit – FASB Organizations

The fair value balances and notional amounts of hedging derivative investments outstanding as reported in the fiscal year 2014 financial statements for higher education foundations reported as component units reporting under FASB provisions are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 6/30/2014		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation, Inc.					
	Investment Revenue	$ 426	Debt	$ (215)	$ 4,240
	Investment Revenue	1,146	Debt	(3,450)	25,000
	Investment Revenue	2,859	Debt	(9,280)	69,820
MCG Health, Inc.					
	Investment Revenue	(369)	Debt	(20,124)	124,990
University of Georgia Foundation					
	Investment Revenue	(6)	Debt	(1,842)	5,599
				$ (34,911)	

The fair value balances and notional amounts of hedging derivative instruments outstanding at June 30, 2013, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements for higher education foundations reported as component units under FASB are as follows (amount in thousands):

	Change in Fair Value		Fair Value at 6/30/2013		
	Classification	Amount	Classification	Amount	Notional
Component unit activities - FASB					
Cash flow hedges:					
Georgia College & State University Foundation, Inc.					
	Investment Revenue	$ 285	Debt	$ (356)	$ 5,260
	Investment Revenue	906	Debt	(3,690)	25,000
	Investment Revenue	2,890	Debt	(9,247)	69,820
MCG Health, Inc.					
	Investment Revenue	12,517	Debt	(19,755)	128,440
University of Georgia Foundation					
	Investment Revenue	856	Debt	(1,837)	5,706
				$ (34,885)	

NOTE 6 - DERIVATIVE INSTRUMENTS (continued)

Interest Rate Swap Derivatives – FASB Organizations

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

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

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

The interest-rate swap transaction is summarized above and is included with liabilities in the Statement of Net Position.

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 the Georgia College and State University annually. The deferred swap savings due to the University is $2.6 million at June 30, 2014.

MCG Health System, Inc. (MCGHS)

MCG Health, Inc. (Company) entered into a variable-to-fixed interest rate swap (the Swap) to convert the variable interest rate on Development Authority of Richmond County Revenue Bonds (Bonds) issued by the Company into a synthetic fixed rate of 3.02%.

The Bonds and the Swap mature on July 1, 2037. The notional amount of the Swap at June 30, 2014 was $125 million. The notional amount decreased from the initial notional amount of the Swap is $135 million by $10 million. The notional value of the Swap declines in conjunction with payments of Bond principal such that the outstanding balance of the Series 2008A and 2008B Bonds and the notional amount of the Swap remain equal at all times.

Under the Swap, the Company pays the counterparty interest at a fixed rate of 3.302% and receives interest payments at a variable rate computed as 68% of LIBOR.

The fair value of the Swap is recorded as an asset or liability, depending on whether the termination of the Swap would result in amounts due to the Company or the Swap counterparty. At June 30, 2014 and 2013, the fair value of the Swap represented a liability to the Company in the amount of $20.1 million and $19.8 million, respectively. The Company or the Swap counterparty is required to post collateral with the other party in the event that the fair value of the Swap exceeds certain thresholds, as defined. At June 30, 2014, the Company had no posted cash collateral and at June, 30 2013, the Company had posted cash collateral of $3.8 million, with the Swap counterparty which is included in other receivables in MCGHS's consolidated balance sheets.

As of June 30, 2014, the Company was exposed to credit risk in the amount of the fair value of the Swap. The Company has two Swap counterparties. The Swap counterparties were both rated A by Fitch Ratings, A2 by Moody's Investors Services, and A to A+ by Standard & Poor's as of June 30, 2014. To mitigate the potential for credit risk, various levels of collateralization by the counterparty may be required should the counterparty's credit rating be downgraded and the fair value of the Swap be in a liability position at a level above certain thresholds specified in the Swap agreement.

The Swap exposes the Company to basis risk should the relationship between LIBOR and prevailing market rates change significantly, changing the synthetic rate on the Bonds from the intended synthetic rate of 3.302%. As of June 30, 2014, the prevailing market rate was an aggregate 0.05%, whereas 68% of LIBOR was 0.103%. As of June 30, 2013, the prevailing market rate was an aggregate 0.07%, whereas 68% of LIBOR was 0.132%.

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

The University of Georgia Foundation (UGAF)

UGAF has an outstanding interest rate swap agreement effectively changing 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, 2014 and 2013, the total notional amount of the swap was $5.6 million and $5.7 million, respectively. The fair value of this interest rate swap was a liability of $1.8 million for 2014 and $1.8 million for 2013. UGAF recorded a loss on such swap of $5,532 and a gain of $856,009 for the years ended June 30, 2014 and 2013, respectively.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014, consisted of the following (in thousands):

	Taxes	Notes and Loans	Other	Inter-governmental Receivables	Gross Receivables	Allowance for Uncollectibles	Total Receivables (Net)
Governmental Activities							
General Fund	$ 1,713,556	$ -	$ 364,137	$ 1,649,355	$ 3,727,048	$ (22,431)	$ 3,704,617
General Obigation Bond Projects	-	-	471	5,275	5,746	-	5,746
Nonmajor Governmental Funds	-	-	8,800	-	8,800	-	8,800
Total - Governmental Funds	1,713,556	-	373,408	1,654,630	3,741,594	(22,431)	3,719,163
Government-wide adjustments:							
General Fund	-	-	1,964	-	1,964	-	1,964
Internal Service Funds	-	-	60,443	856	61,299	(806)	60,493
Total - Governmental Activities	**$ 1,713,556**	**$ -**	**$ 435,815**	**$ 1,655,486**	**$ 3,804,857**	**$ (23,237)**	**$ 3,781,620**
Business-type Activities							
Higher Education Fund	$ -	$ 44,985	$ 176,098	$ 131,870	$ 352,953	$ (1,723)	$ 351,230
State Health Benefit Plan	-	-	122,884	-	122,884	(3,921)	118,963
Unemployment Compensation Fund	-	-	199,336	118	199,454	(17,127)	182,327
Board of Regents Foundations	-	600	41,861	-	42,461	-	42,461
State Road and Tollway Authority	-	-	281	-	281	-	281
Georgia Higher Education Facilities Authority	-	2,523	613	-	3,136	-	3,136
Internal Service Funds	-	-	66	-	66	(9)	57
Total - Business-type Activities	**$ -**	**$ 48,108**	**$ 541,139**	**$ 131,988**	**$ 721,235**	**$ (22,780)**	**$ 698,455**
Component Units							
Unrestricted:							
Georgia Environmental Finance Authority	$ -	$ 1,338,970	$ 5,596	$ 2,664	$ 1,347,230	$ -	$ 1,347,230
Georgia Housing and Finance Authority	-	630,019	510	-	630,529	(4,236)	626,293
Georgia Lottery Corporation	-	-	166,776	-	166,776	(3,124)	163,652
Georgia Ports Authority	-	1,902	51,070	-	52,972	(2,162)	50,810
Georgia Tech Foundation, Incorporated	-	1,158	214,072	-	215,230	(4,259)	210,971
Georgia Tech Research Corporation	-	-	48,618	-	48,618	(1,490)	47,128
Nonmajor Component Units	4,503	177,411	838,574	12,147	1,032,635	(79,803)	952,832
Total - Unrestricted	4,503	2,149,460	1,325,216	14,811	3,493,990	(95,074)	3,398,916
Restricted:							
Georgia Housing and Finance Authority	-	930,548	10,708	-	941,256	(6,500)	934,756
Total - Restricted	-	930,548	10,708	-	941,256	(6,500)	934,756
Total - Component Units	**$ 4,503**	**$ 3,080,008**	**$ 1,335,924**	**$ 14,811**	**$ 4,435,246**	**$ (101,574)**	**$ 4,333,672**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

A. Due To/From Other Funds

Due To/From Other Funds at June 30, 2014, consist of the following (amount in thousands):

	Due From Other Funds						
	General Fund	Higher Education Fund	Nonmajor Governmental Fund	NonMajor Enterprise	Internal Service Funds	Fiduciary Funds	Total Due To Other Funds
Due To Other Funds							
General Fund	$ -	$ -	$ 57	$ -	$ 396,125	$ -	$ 396,182
Higher Education Fund	-	-	-	1,730,219	124,955	-	1,855,174
State Employees' Health Benefit Plan	-	-	-	-	-	41,366	41,366
Nonmajor Enterprise Funds	-	17,947	-	278,637	-	-	296,584
Nonmajor Governmental Funds	14,533	-	-	-	-	-	14,533
Internal Service Funds	1,109	-	454	223	2	-	1,788
Fiduciary Funds	-	-	-	-	51	759	810
Total Due From Other Funds	$ 15,642	$ 17,947	$ 511	$ 2,009,079	$ 521,133	$ 42,125	$ 2,606,437

Interfund receivables and payables result from billings for goods/services provided between funds. $1.728 billion of the balances between Board of Regents Institutions (higher education fund) and their affiliated Foundations (nonmajor enterprise funds) relate to leases for the purchase by the Institutions of various facilities acquired/constructed by the Foundations. $1.693 billion of these balances are due in more than one year.

$278.6 million of the balances between the Georgia Higher Education Facilities Authority and the University System of Georgia Foundation, Incorporated (nonmajor enterprise funds) relate to loans to the Foundation for various campus projects. $274.1 million of these balances are due in more than one year. All other interfund receivables and payables are considered short-term in nature.

Advances of $8.7 million representing a loan between the State Road and Tollway Authority nonmajor governmental fund and nonmajor enterprise fund are not included in the table above.

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (continued)

B. Interfund Transfers

Interfund transfers at June 30, 2014, consist of the following (amount in thousands):

	Governmental Funds			Proprietary Funds				
	General Fund	General Obligation Bond Projects Fund	Nonmajor Governmental Funds	Higher Education Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total Transfers Out
Transfers Out:								
General Fund	$ -	$ 11,924	$ 1,400,759	$ 2,199,353	$ -	$ 1,354	$ 2,324	$ 3,615,714
General Obligation Bond Projects Fund	13,500	-	57,811	-	-	-	-	71,311
Nonmajor Governmental Funds	10,229	-	51	-	8,963	-	-	19,243
Higher Education Fund	2,873	-	-	-	-	-	-	2,873
Nonmajor Enterpirse Funds	10,835	-	37,166	-	-	20	-	48,021
Internal Service Funds	4,770	648	-	-	-	-	-	5,418
Total Transfers In	**$ 42,207**	**$ 12,572**	**$ 1,495,787**	**$ 2,199,353**	**$ 8,963**	**$ 1,374**	**$ 2,324**	**$ 3,762,580**

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.

NOTE 9 - CAPITAL ASSETS

Primary Government

Capital Asset activity for the fiscal year-ended June 30, 2014, was as follows (amount in thousands):

	Balance 7/1/2013 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 3,410,331	$ 158,450	$ (5,585)	$ 3,563,196
Works of Art and Collections	1,326	-	-	1,326
Intangibles - Other Than Software	94,087	23,520	(4,795)	112,812
Construction in Progress	2,280,799	1,917,791	(1,684,933)	2,513,657
Total Capital Assets, Not Being Depreciated	5,786,543	2,099,761	(1,695,313)	6,190,991
Capital Assets Being Depreciated:				
Infrastructure	26,122,028	808,534	(57,482)	26,873,080
Buildings and Building Improvements	3,791,095	83,002	(74,893)	3,799,204
Improvements Other Than Buildings	104,079	11,577	(320)	115,336
Intangibles - Other than Software	484	-	-	484
Machinery and Equipment	949,254	53,615	(48,901)	953,968
Software	249,641	6,529	(5,353)	250,817
Total Capital Assets Being Depreciated	31,216,581	963,257	(186,949)	31,992,889
Less Accumulated Depreciation For:				
Infrastructure	14,268,932	992,858	(908)	15,260,882
Buildings and Building Improvements	1,731,661	117,055	(46,941)	1,801,775
Improvements Other Than Buildings	48,933	2,006	(180)	50,759
Intangibles - Other than Software	79	161	-	240
Machinery and Equipment	735,666	61,078	(42,062)	754,682
Software	185,172	12,672	(2,741)	195,103
Total Accumulated Depreciation	16,970,443	1,185,830	(92,832)	18,063,441
Total Capital Assets, Being Depreciated, Net	14,246,138	(222,573)	(94,117)	13,929,448
Governmental Activities Capital Assets, Net	**$ 20,032,681**	**$ 1,877,188**	**$ (1,789,430)**	**$ 20,120,439**

NOTE 9 - CAPITAL ASSETS (continued)

	Balance 7/1/2013 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2014
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 412,264	$ 20,556	$ (1,898)	$ 430,922
Works of Art and Collections	44,392	642	(9)	45,025
Construction in Progress	219,207	198,234	(221,957)	195,484
Total Capital Assets, Not Being Depreciated	675,863	219,432	(223,864)	671,431
Capital Assets Being Depreciated:				
Infrastructure	317,463	21,221	(133)	338,551
Buildings and Building Improvements	8,856,831	290,654	(20,170)	9,127,315
Improvements Other Than Buildings	424,387	13,257	(3,278)	434,366
Machinery and Equipment	4,026,536	297,237	(75,603)	4,248,170
Software	29,465	18,564	(427)	47,602
Library Collections	828,896	35,406	(2,277)	862,025
Works of Art and Collections	7,524	14	1	7,539
Total Capital Assets Being Depreciated	14,491,102	676,353	(101,887)	15,065,568
Less Accumulated Depreciation For:				
Infrastructure	99,503	13,377	(111)	112,769
Buildings and Building Improvements	2,603,439	222,799	(15,272)	2,810,966
Improvements Other Than Buildings	173,048	13,882	(2,892)	184,038
Machinery and Equipment	1,532,893	213,947	(44,363)	1,702,477
Software	18,907	3,451	(196)	22,162
Library Collections	654,411	32,754	(2,270)	684,895
Works of Art and Collections	1,002	143	-	1,145
Total Accumulated Depreciation	5,083,203	500,353	(65,104)	5,518,452
Total Capital Assets, Being Depreciated, Net	9,407,899	176,000	(36,783)	9,547,116
Business-type Activities, Capital Assets, Net	**$ 10,083,762**	**$ 395,432**	**$ (260,647)**	**$ 10,218,547**

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

Governmental Activities	
General Government	$ 17,120
Education	$ 1,928
Health and Welfare	$ 32,217
Transportation	$ 1,001,951
Public Safety	$ 69,277
Economic Development	$ 21,358
Culture and Recreation	$ 10,100
Conservation	$ 5,332
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)	26,547
Depreciation Expense - Governmental Activities	**$ 1,185,830**

Business-type Activities	
Higher Education Fund	$ 494,525
State Road and Tollway Authority	4,001
Internal Service Funds	1,827
Depreciation Expense - Business-type Activities	**$ 500,353**

Component Units

Capital Asset activity for the fiscal year-ended June 30, 2014, was as follows (amount in thousands):

	Balance 7/1/2013 (Restated - Note 3)	Increases	Decreases	Balance 6/30/2014
Component Units				
Capital Assets Not Being Depreciated:				
Land	$ 329,783	$ 10,549	$ (1)	$ 340,331
Works of Art and Collections	1,670	-	-	1,670
Intangibles - Other Than Software	908	2	-	910
Construction in Progress	113,487	59,047	(52,016)	120,518
Total Capital Assets, Not Being Depreciated	445,848	69,598	(52,017)	463,429
Capital Assets Being Depreciated:				
Infrastructure	313,231	4,807	-	318,038
Buildings and Building Improvements	1,211,062	15,870	(9,290)	1,217,642
Improvements Other Than Buildings	520,193	22,199	(77)	542,315
Machinery and Equipment	932,307	105,201	(82,954)	954,554
Software	10,811	2,511	(1,335)	11,987
Library Collections	3,500	235	-	3,735
Works of Art and Collections	71	-	-	71
Total Capital Assets Being Depreciated	2,991,175	150,823	(93,656)	3,048,342
Less Accumulated Depreciation For:				
Infrastructure	125,470	10,496	-	135,966
Buildings and Building Improvements	482,632	34,641	(2,946)	514,327
Improvements Other Than Buildings	220,895	23,979	(206)	244,668
Machinery and Equipment	533,790	59,112	(55,710)	537,192
Software	4,150	1,091	(186)	5,055
Library Collections	2,243	221	-	2,464
Works of Art and Collections	13	1	-	14
Total Accumulated Depreciation	1,369,193	129,541	(59,048)	1,439,686
Total Capital Assets, Being Depreciated, Net	1,621,982	21,282	(34,608)	1,608,656
Component Units Capital Assets, Net*	**$ 2,067,830**	**$ 90,880**	**$ (86,625)**	**$ 2,072,085**

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

NOTE 9 - CAPITAL ASSETS (continued)

As of June 30, 2014, balances are available as follows:

Capital Assets Not Being Depreciated:		
Land	$	20,990
Construction in Progress		24,266
Total Capital Assets, Not Being Depreciated		45,256
Capital Assets Being Depreciated		
Buildings and Building Improvements		206,164
Machinery and Equipment		21,606
Software		4,237
Total Capital Assets Being Depreciated		232,006
Less: Accumulated Depreciation		(68,093)
Total Capital Assets, Being Depreciated, Net		163,913
Capital Assets, Net (FASB presentation)		209,169
Total Capital Assets, Net - All Component Units	**$**	**2,281,254**

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, 2014, are as follows (amount in thousands):

	Balance 7/1/2013 Restated (Note 3)	Additions	Reductions	Balance 6/30/2014	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 8,653,160	$ 857,670	$ (746,985)	$ 8,763,845	$ 759,250
Revenue Bonds Payable	374,415	32,718	(25,780)	381,353	21,525
GARVEE Bonds Payable	1,047,860	-	(134,530)	913,330	141,150
Less deferred amounts:					
Net Unamortized Premiums	772,357	62,076	(88,049)	746,384	-
Total Bonds Payable	10,847,792	952,464	(995,344)	10,804,912	921,925
Notes and Loans Payable	4,000	4,024	(4,000)	4,024	670
Capital Lease Obligations	278,026	8,208	(33,404)	252,830	32,088
Compensated Absences Payable	309,825	134,750	(131,408)	313,167	130,890
Arbitrage	4,877	29	(72)	4,834	-
Total Governmental Activities	**$ 11,444,520**	**$ 1,099,475**	**$ (1,164,228)**	**$ 11,379,767**	**$ 1,085,573**
Business-type Activities					
Revenue Bonds Payable	$ 1,573,912	$ 262,909	$ (85,673)	$ 1,751,148	$ 37,433
Less deferred amounts:					
Net Unamortized Premiums (Discounts)	23,528	13,208	(6,370)	30,366	-
Total Bonds Payable	1,597,440	276,117	(92,043)	1,781,514	37,433
Notes and Loans Payable	401,371	39,345	(436,793)	3,923	662
Capital Lease Obligations	1,865,121	76,002	(111,606)	1,829,517	44,986
Compensated Absences Payable	223,161	160,224	(155,439)	227,946	138,987
Other Postemployment Benefit Obligation	1,554,143	288,934	-	1,843,077	-
Derivative Instrument Payable	7,610	-	(3,841)	3,769	-
Total Business-type Activities	**$ 5,648,846**	**$ 840,622**	**$ (799,722)**	**$ 5,689,746**	**$ 222,068**

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, 2014: capital leases of $79.6 million, compensated absences of $4.8 million and notes payable of $4.0 million. Of these amounts, $6.4 million, $2.6 million and $0.7 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.

NOTE 10 - LONG-TERM LIABILITIES (continued)

Component Units

Changes in long-term liabilities for the fiscal year-ended June 30, 2014, are as follows (amount in thousands):

	Balance 7/1/2013 (Restated - Note 3)	Additions	Reductions	Balance 6/30/2014	Amounts Due Within One Year
Component Units					
Revenue Bonds Payable	$ 1,793,219	$ 36,195	$ (116,148)	$ 1,713,266	$ 71,173
Mortgage Bonds Payable	1,027,985	156,110	(149,015)	1,035,080	24,445
Net Unamortized Premiums	24,386	14,909	(3,207)	36,088	-
Total Bonds Payable	2,845,590	207,214	(268,370)	2,784,434	95,618
Notes and Loans Payable	216,889	47,956	(64,466)	200,379	70,541
Net Unamortized Premiums	400	-	(400)	-	-
Capital Lease Obligations	2,959	34,597	(8,224)	29,332	4,574
Compensated Absences Payable	26,432	10,171	(9,878)	26,725	19,765
Grand Prizes Payable	225,577	9,696	(34,704)	200,569	7,810
Other Liabilities	55,928	13,104	(7,429)	61,603	3,047
Total Component Units	**$ 3,373,775**	**$ 322,738**	**$ (393,471)**	**$ 3,303,042**	**$ 201,355**

B. Bonds and Notes Payable

At June 30, 2014, bonds and notes payable currently outstanding are as follows (amount in thousands):

	Interest Rates	Maturing Through Year	Original Issue Amount	Outstanding Amount
Governmental Activities				
General Obligation Bonds				
General Government	.35% - 7.25%	2033	$ 16,652,025	$ 6,043,160
General Government - Refunding	2.0% - 9.00%	2026		2,720,685
Revenue Bonds				
Transportation Projects	2.25% - 7.00%	2049	664,623	381,353
GARVEE Bonds	3.00% - 5.00%	2021	1,650,000	913,330
Notes and Loans Payable	4.60% - 4.63%	2020	4,024	4,024
Business-type Activities				
Revenue Bonds				
Georgia Higher Education Facilities Authority	3.0% - 6.25%	2041	294,915	281,160
Higher Education Foundations	2.0% - 6.5%	2043	1,701,390	1,469,988
Notes and Loans Payable	0.0% - 8.5%	2023	6,500	3,923
Component Units				
Revenue Bonds				
Higher Education Foundations	.02% - 6.3%	2044	1,420,300	1,253,700
Georgia Tech Foundation	2.0% - 6.66%	2032	269,845	234,800
Other Revenue Bonds	.54% - 5.28%	2036	355,145	224,766
Mortgage Bonds				
Georgia Housing and Financing Authority	.15% - 5.375%	2044	1,456,070	1,035,080
Notes and Loans Payable				
Higher Education Foundations	.48% - 4.25%	2028	136,868	98,457
Georgia Tech Foundation	0.79%	2016	62,311	51,462
Other Notes and Loans Payable	.57% - 4.31%	2026	70,141	50,460

C. General Obligation Bonds

Primary Government

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

General obligation bonds are direct obligations of the State to which the full faith and credit of the State are pledged.

Bonds Authorized but Unissued

Authorized but unissued general obligation bonds as of June 30, 2014, are as follows (amount in thousands):

Purpose	Authorized Unissued Debt
K-12 Education	$ 252,805
Higher Education	47,775
Transportation	132,000
Other	17,925
Total	**$ 450,505**

Defeasance and Refunding of General Obligation Bonds

During fiscal year 2014, the State did not issue any refunding bonds. As of June 30, 2014, there was a total of $1.1 billion of refunded State general obligation bonds outstanding. The debt service on these refunded bonds is paid from interest earnings and principal maturities of direct obligation U.S. Treasury securities which are held in escrow and are irrevocable and pledged solely for this purpose.

Early Retirement of Debt

From funds received from the sale of state property and from interest earnings available for the advance retirement of debt, the State made four purchases of various series of State of Georgia General Obligation Bonds in the secondary market with a par value of $0.9 million. The early retirements of the bonds will save the State $1.4 million in future principal and interest appropriations. Since July 1, 2000, the early retirement program has saved the State over $1.1 billion in future principal and interest appropriations.

D. Revenue Bonds

Governmental Activities

State Road and Tollway Authority (SRTA) has issued Guaranteed Revenue Bonds for the purpose of financing certain road and bridge projects in the State. The guaranteed revenue bonds are secured by the amount of net proceeds of the motor fuel tax provided for in a joint resolution of the State Transportation Board and SRTA. Further, the State has guaranteed the full payment of the bonds and the interest.

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

In fiscal year 2014, SRTA has issued toll revenue bonds for the purpose of paying the costs of certain tolling infrastructure relating to the I-75 South Metro Express Lanes Project, financing a debt service reserve and paying the costs of issuance of the bonds. Interest on the bonds will not be paid on a current basis, but will be added to the principal amount of such bonds on each "accretion date," which is each June 1 and December 1, commencing December 1, 2014. Interest on these bonds ranges from 6.25% to 7.00% As of June 30, 2014 the outstanding principal balance is $26 million.

SRTA has entered into an agreement with the Department of Transportation (DOT) and a developer. The developer is solely responsible for satisfying a Developer Finance Obligation at its own

NOTE 10 - LONG-TERM LIABILITIES (continued)

risk and cost without risk and recourse to SRTA or DOT. The developer will pursue and maintain this obligation in accordance with a Project Plan of Finance. The obligation requires the developer to self-finance a portion of the costs of the project in an amount not less than $60 million. As work is performed on the project, the developer remits payment requests to DOT. DOT contractually agreed to be SRTA's project manager and must review and approve all developer invoices prior to payment by SRTA. The portion of financing contributed by the developer during development and construction is expected to be repaid fully at final acceptance of the project with proceeds of first lien toll revenue bonds expected to be issued in fiscal year 2019.

Business-type Activities

SRTA issued toll revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing and maintaining the Georgia 400 Extension. The toll revenues generated from the usage of the Georgia 400 Extension secured these bonds. These bonds were originally set to mature on June 1, 2017; however, they were paid off on December 1, 2013.

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, 2014, the outstanding principal for these revenue bonds is $281.2 million.

Georgia Tech Facilities, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the Georgia Institute of Technology campus. The bond issues have interest rates ranging from 2.0% to 5.3% and the maturities range from 2017 to 2041. As of June 30, 2014, the outstanding principal for these revenue bonds is $285.9 million.

Georgia State University Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the Georgia State University campus. These bond issues have interest rates ranging from 3.0% to 6.15% and the maturities range from 2016 to 2038. As of June 30, 2014, the outstanding principal balance for these revenue bonds is $228.0 million.

VSU Auxiliary Services Real Estate Foundation, Inc. has issued various revenue bonds to finance the costs of construction of various facilities on the Valdosta State University campus. These bond issues have interest rates ranging from 2.00% to 5.5% and the maturities range from 2031 to 2039. As of December 31, 2013, the outstanding principal balance for these revenue bonds is $177.4 million.

Armstrong Atlantic State University Educational Properties Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing, and equipping various facilities on the Armstrong Atlantic State University campus. These bonds bear interest payable semiannually at fixed rates ranging from 3.0% to 5.13% and the maturities range from 2031 to 2039. As of December 31, 2013, the outstanding principal balance for these revenue bonds is $90.9 million.

The Georgia State University Research Foundation, Inc. has issued revenue bonds dated December 1, 2007 to finance or refinance the cost of the acquisition, construction and equipping of a research facility located in a new Georgia State University Science Park on the campus of the University. Term bonds under the agreement bear interest payable semiannually at fixed rates ranging from 4.75% to 5.25%. Serial bonds under the loan agreement bear interest payable semi-annually at a rate of 4.5% until Ju1y 1, 2014 when the interest rate increases to 5.0%. The bonds mature in 2040. As of June 30, 2014, the outstanding principal balance for these revenue bonds is $85.6 million.

The Georgia Southern University Housing Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the Georgia Southern University campus. The bond issues have interest rates ranging from 2.0% to 5.25% and the maturities range from 2029 to 2043.

As of June 30, 2014, the outstanding principal balance for these revenue bonds is $222.4 million.

The Middle Georgia State College Real Estate Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the Middle Georgia State College campus. The bond issues have interest rates ranging from 2.0% to 5.75% and the maturities range from 2020 to 2043. As of June 30, 2014, the outstanding principal for these revenue bonds is $97.1 million.

The University of North Georgia Real Estate Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the University of North Georgia campus. The bond issues have interest rates ranging from 2.0% to 5.25% and the maturities range from 2024 to 2041. As of June 30, 2014, the outstanding principal for these revenue bonds is $155.6 million.

The UWG Real Estate Foundation, Inc. has issued various revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the University of West Georgia campus. The bond issues have interest rates ranging from 2.0% to 6.5% and the maturities range from 2032 to 2043. As of June 30, 2014, the outstanding principle for these revenue bonds is $127.2 million.

Component Units

Revenue bonds issued by various Higher Education foundations, for the acquisition and improvement of properties and facilities, had an outstanding balance at June 30, 2014, of $1.3 billion.

Other component units had revenue bonds payable outstanding at June 30, 2014, of $459.6 million as detailed below (amount in thousands):

	Amount
Georgia Tech Foundation, Inc.	$ 234,800
Georgia Environmental Finance Authority	124,680
Georgia World Congress Center	88,800
Lake Lanier Islands Development Authority	8,021
Regional Educational Service Agencies	3,265
Total	**$ 459,566**

E. Mortgage Bonds

Component Units

Mortgage bonds outstanding of $1.0 billion at June 30, 2014, 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, 2014, were $4.0 million, attributable to the Georgia Technology Authority's entering into three notes during 2014 to finance equipment purchases. Interest rates for the notes range from 4.6% to 4.63% and the maturity date for all notes is 2020.

NOTE 10 - LONG-TERM LIABILITIES (continued)

Business-type Activities

At July 1, 2013, there was an outstanding loan balance of $396.8 million for a loan obtained under the Federal Unemployment Account (FUA), which provided for a loan fund for State unemployment programs to ensure a continued flow of unemployment benefits during times of economic downturn. Georgia was one of 36 states that borrowed from the U.S. Treasury to pay State unemployment benefits. During fiscal year 2014, the State borrowed an additional $39.3 million to pay state unemployment benefits, and employer FUTA tax credits in the amount of $123.6 million were applied to the loan balance. The State repaid $312.5 million to the U.S. Treasury paying off the loan balance on May 14, 2014.

Armstrong Atlantic State University Educational Properties Foundation, Inc. had a note payable balance of $0.6 million as of December 31, 2013.

The University of North Georgia Real Estate Foundation, Inc. had a note payable balance of $3.3 million as of June 30, 2014.

Component Units

Notes and loans payable for component units as of June 30, 2014, were as follows (amount in thousands):

	Amount
Higher Education Foundations	$ 98,458
Georgia Tech Foundation, Inc.	51,462
Georgia Ports Authority	34,057
Lake Lanier Islands Development Authority	12,892
Georgia Military College	3,510
Total	**$ 200,379**

Higher Education Foundations Notes and Loans

During fiscal year 2012, MCG Health System, Inc. entered into a note in the amount of $50.0 million. Funds from the note are to be used to fund certain construction and renovation projects and to purchase new and replacement equipment. The note bears a fixed interest rate of 2.05% for a three year term, and the interest is due monthly. The balance on the note at June 30, 2014 was $50.0 million.

During fiscal year 2014, Kennesaw State University Foundation, Inc. entered into a secured term note with a bank in the amount of $12.8 million to acquire property. The note accrues interest at the 30-day LIBOR plus 2.25%, with interest payments due monthly. The note is collateralized by the building and land. As of June 30 2014, the outstanding balance on the note was $12.7 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, 2014, amounts outstanding or issued under this agreement included borrowings of $8.5 million, with no unused letters of credit or bank reserves, resulting in $41.5 million available as borrowing capacity under this line. Borrowings under the revolving credit agreement bear interest at the bank's 30-day LIBOR plus 0.8%. At June 30, 2014, the rate applicable to the borrowings was .95%.

During fiscal year 2007, the University of Georgia Foundation signed a $6.2 million promissory loan agreement which expires on November 1, 2037. Interest is charged at the bank's 30-day LIBOR plus 0.325%. The balance on this note at June 30, 2014, was $5.6 million. In addition, during fiscal year 2014, the Foundation entered into a line of credit agreement totaling $9.5 million for use in the acquisition and renovation of the Washington, D.C. property. As of June 30, 2014, the balance outstanding on this line of credit was $5.6 million.

During fiscal year 2014, the Georgia Tech Athletic Association entered in 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, 2014, the outstanding balance on the note was $8.1 million.

In addition to the notes and loans discussed in the previous paragraphs, as of June 30, 2014, an additional $7.9 million in notes was held by various higher education foundations.

Other Component Units Notes and Loans

The Georgia Ports Authority maintains an uncollateralized revolving line of credit in the amount of $48.0 million. As of June 30, 2014, $34.1 million was outstanding on this line of credit. The interest rate (0.57% at June 30, 2014) is based on the one month LIBOR rate. This revolving line of credit expires on September 5, 2017.

The Georgia Tech Foundation, Inc. has five $10.0 million revolving lines of credit and one $35.5 million non-revolving line of credit. As of June 30, 2014, $51.5 million was outstanding on these lines of credit. Interest is calculated using the 30-day LIBOR rate.

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.

<u>Governmental Activities</u>

Department of Transportation

DOT has recorded liabilities totaling $0.4 million at June 30, 2014, for pollution remediation related to underground storage tanks at two locations and for 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. The estimated amount of recovery from insurance and other potentially responsible parties is $0.03 million. Pollution remediation liability activity in fiscal year 2014 was as follows (amount in thousands):

Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due Within One Year
$ 526	$ -	$ (168)	$ 358	$ 194

Department of Defense

The Department of Defense has recorded liabilities totaling $0.3 million at June 30, 2014, for pollution remediation primarily related to ground contamination at four sites. The liabilities were determined by previous experience. The estimated amount of recovery from insurance and other potentially responsible parties is $0.3 million. Pollution remediation liability activity in fiscal year 2014 was as follows (amount in thousands):

Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due Within One Year
$ 309	$ -	$ (20)	$ 289	$ 26

Department of Agriculture

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

NOTE 10 - LONG-TERM LIABILITIES (continued)

Business-type Activities

University of Georgia

The University of Georgia is responsible for pollution remediation at the Milledge Avenue landfill site. The University of Georgia has recorded a liability and expense related to this pollution remediation in the amount of $0.9 million. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses and Changes in Fund Net Position in Services and Supplies. The liability was determined using a five year budget estimate provided by Brown and Caldwell. The University of Georgia does not anticipate any significant changes to the expected remediation outlay. There are no expected recoveries that have reduced the liability. Pollution remediation liability activity in fiscal 2014 was as follows (amount in thousands):

Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due Within One Year
$ 956	$ 47	$ (120)	$ 883	$ 170

Georgia Institute of Technology

Georgia Institute of Technology is responsible for pollution monitoring and remediation in all Institute facilities, including asbestos abatement. Monitoring and remediation activities are performed during renovation/construction projects when deemed necessary by Institute management. As of June 30, 2014, the Institute recorded a liability and expense in the amount of $0.1 million for pollution monitoring and remediation projects in various Institute structures. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Fund Net Position in Services and Supplies. The liability was 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. The Institute 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 2014 was as follows (amount in thousands):

Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts Due Within One Year
$ 504	$ 143	$ (504)	$ 143	$ 143

Georgia Regents University

Georgia Regents University is responsible for asbestos abatement as a small part of the project costs for various projects. The University has recorded a liability and expense related to this pollution remediation in the amount of $0.001 million. The liability is reflected on the Statement of Net Position in Accounts Payable and on the Statement of Revenues, Expenses, and Changes in Fund Net Position in Services and Supplies. The liability is the remaining amount of project abatement costs at June 30, 2014. The University does not anticipate any significant changes to the expected remediation outlay. Pollution remediation liability activity in fiscal year 2014 was a follows (amount in thousands):

Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts Due Within One Year
$ 26	$ 63	$ (88)	$ 1	$ 1

Georgia Southern University (GSU) Housing Foundation, Inc.

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

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

Component Units

Georgia Ports Authority

The Georgia Ports Authority is responsible for certain pollution remediation costs related to soil and groundwater contamination at its Bainbridge, Georgia terminal. The Georgia Ports Authority has recorded a liability of $1.0 million as of June 30, 2014. The liability was determined using a five year budget estimate provided by an engineering firm using a discounted cash flow rate. Pollution remediation liability activity in fiscal year 2014 was as follows (amount in thousands):

Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts Due Within One Year
$ 1,549	$ -	$ (520)	$ 1,029	$ 454

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

	Governmental Activities							
	General Obligation Bonds		Revenue Bonds		GARVEE Bonds		Notes and Loans Payable	
Year	Principal *	Interest	Principal **	Interest	Principal	Interest	Principal	Interest
2015	$ 759,250	$ 380,566	$ 21,525	$ 17,283	$ 141,150	$ 44,095	$ 670	$ 158
2016	699,855	344,006	38,045	15,956	147,640	-	764	139
2017	675,745	311,647	39,965	14,034	154,560	30,684	800	103
2018	665,910	279,233	41,980	12,014	162,085	23,161	838	65
2019	620,195	248,973	50,753	9,893	119,135	15,197	877	26
2020-2024	2,693,310	850,832	171,281	18,199	188,760	12,357	75	-
2025-2029	1,968,155	351,159	4,531	11,919	-	-	-	-
2030-2034	681,425	53,257	6,713	11,919	-	-	-	-
2035-2039	-	-	7,725	10,911	-	-	-	-
2040-2044	-	-	10,830	7,802	-	-	-	-
2045-2049	-	-	15,500	3,443	-	-	-	-
Total	**$ 8,763,845**	**$ 2,819,673**	**$ 408,848**	**$ 133,373**	**$ 913,330**	**$ 125,494**	**$ 4,024**	**$ 491**

	Business-type Activities			
	Revenue Bonds		Notes and Loans Payable	
Year	Principal	Interest	Principal	Interest
2015	$ 37,433	$ 81,354	$ 662	$ 26
2016	44,743	80,555	711	11
2017	43,978	78,780	457	-
2018	47,001	76,896	473	-
2019	48,897	74,835	405	-
2020-2024	280,818	337,521	1,215	-
2025-2029	363,934	265,752	-	-
2030-2034	385,274	176,636	-	-
2035-2039	393,930	80,052	-	-
2040-2044	105,140	6,833	-	-
Total	**$ 1,751,148**	**$ 1,259,214**	**$ 3,923**	**$ 37**

* Includes $127.3 million of bonds with variable interest rates that reset weekly at a spread of 40 basis points to the weekly Securities Industry and Financial Markets Association rate. The interest rate at June 30, 2014, for these variable rate bonds, was 0.46%.

** Includes accreted interest of $27.4 million that will be recorded beginning in FY 2015 by the State Toll and Roadway Authority to increase bonds payable as the interest accretes.

Component Units

Year	Higher Education Foundations Revenue Bonds Principal	Higher Education Foundations Revenue Bonds Interest	Georgia Tech Foundation Revenue Bonds Principal	Georgia Tech Foundation Revenue Bonds Interest	Other Component Units Revenue Bonds Principal	Other Component Units Revenue Bonds Interest
2015	$ 32,455	$ 54,968	$ 9,605	$ 11,806	$ 29,113	$ 8,778
2016	30,155	54,307	9,935	11,487	13,535	8,236
2017	32,485	53,097	10,295	11,119	13,968	7,794
2018	34,030	51,741	10,725	10,691	14,426	7,334
2019	34,545	50,287	11,225	10,184	14,901	6,856
2020-2024	255,090	218,765	62,880	40,968	39,415	28,031
2025-2029	247,528	164,598	76,230	22,252	6,263	25,052
2030-2034	295,888	103,636	43,905	3,261	86,750	9,717
2035-2039	200,544	44,518	-	-	6,395	671
2040-2044	90,980	7,972	-	-	-	-
Total	**$ 1,253,700**	**$ 803,889**	**$ 234,800**	**$ 121,768**	**$ 224,766**	**$ 102,469**

Year	Higher Education Foundations Notes and Loans Payable Principal	Higher Education Foundations Notes and Loans Payable Interest	Georgia Tech Foundation Notes and Loans Payable Principal	Georgia Tech Foundation Notes and Loans Payable Interest	Other Component Units Notes and Loans Payable Principal	Other Component Units Notes and Loans Payable Interest
2015	$ 12,716	$ 2,046	$ 51,462	$ 381	$ 6,363	$ 614
2016	72,486	1,880	-	-	2,885	436
2017	1,343	494	-	-	2,919	403
2018	1,354	463	-	-	29,011	368
2019	1,364	430	-	-	990	331
2020-2024	4,850	1,688	-	-	5,547	1,060
2025-2029	1,436	1,079	-	-	2,745	117
2030-2034	1,571	647	-	-	-	-
2035-2039	1,337	140	-	-	-	-
Total	**$ 98,457**	**$ 8,867**	**$ 51,462**	**$ 381**	**$ 50,460**	**$ 3,329**

Year	Georgia Housing and Finance Authority Mortgage Bonds Principal	Georgia Housing and Finance Authority Mortgage Bonds Interest
2015	$ 24,445	$ 38,123
2016	26,650	37,638
2017	34,120	36,955
2018	27,830	36,062
2019	29,250	35,318
2020-2024	174,000	160,629
2025-2029	190,740	123,441
2030-2034	215,335	82,291
2035-2039	201,635	38,156
2040-2044	111,075	8,444
Total	**$ 1,035,080**	**$ 597,057**

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, do not meet the qualification as an operating lease. Total lease payments for the State's governmental activities, business-type activities, and component units were $44.2 million, $50.8 million, and $13.5 million, respectively, for the year ended June 30, 2014. Future minimum commitments for operating leases as of June 30, 2014, are listed below (amount in thousands).

	Primary Government		
Fiscal Year Ended June 30	Governmental Activities	Business-type Activities	Component Units
2015	$ 31,916	$ 45,908	$ 10,966
2016	17,310	20,613	11,019
2017	8,993	18,394	9,962
2018	4,254	16,721	8,252
2019	2,286	15,094	6,492
2020-2024	4,617	58,467	20,105
2025-2029	1,270	44,371	1,260
2030-2034	263	24,514	100
2035-2039	10	6,106	40
2040-2044	-	1,060	-
2045-2049	-	1,446	-
Total Minimum Commitments	**$ 70,919**	**$ 252,694**	**$ 68,196**

B. Capital Leases

The State acquires certain property and equipment through multi-year capital leases with varying terms and options. In accordance with OCGA 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, 2014, the historical cost of assets acquired through capital leases was as follows (amount in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
Land	$ -	$ 50,164	$ -
Infrastructure	-	51,592	-
Buildings	409,710	3,715,131	3,812
Improvements Other Than Buildings	-	44,789	-
Machinery and Equipment	3,362	30,321	34,012
Less: Accumulated Depreciation	(229,512)	(700,196)	(8,981)
Total Assets Held Under Capital Lease	**$ 183,560**	**$ 3,191,801**	**$ 28,843**

At June 30, 2014, future commitments under capital leases were as follows (amount in thousands):

	Primary Government		
Fiscal Year Ended June 30	Governmental Activities	Business-type Activities	Component Units
2015	$ 57,893	$ 147,377	$ 6,332
2016	50,080	147,167	5,813
2017	45,866	147,971	5,381
2018	44,500	148,597	4,952
2019	43,413	149,017	4,645
2020-2024	105,857	559,623	8,745
2025-2029	53,386	827,231	283
2030-2034	26,444	702,615	116
2035-2039	15,170	406,038	90
2040-2044	6,566	48,688	90
2045-2049	30	213	90
2050-2054	30	108	90
Total Capital Lease Payments	449,235	3,284,645	36,627
Less: Interest	(185,859)	(1,300,900)	(7,281)
Executory Costs	(10,546)	(154,228)	(14)
Present Value of Capital Lease Payments	**$ 252,830**	**$ 1,829,517**	**$ 29,332**

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, business-type activities, and component units were \$8.6 million, \$.1 million, and \$30.8 million, respectively, for the year ended June 30, 2014. Minimum future revenues and rentals to be received under operating leases as of June 30, 2014, are as follows (amount in thousands):

	Primary Government		
Fiscal Year Ended June 30	Governmental Activities	Business-type Activities	Component Units
2015	$ 8,556	$ -	$ 27,320
2016	8,652	-	17,917
2017	8,770	-	16,770
2018	8,889	-	16,244
2019	9,007	-	14,677
2020-2024	8,741	-	69,367
2025-2029	3,613	-	60,976
2030-2034	3,834	-	49,653
2035-2039	4,054	-	13,962
2040-2044	4,272	-	1,812
2045-2049	488	-	1,961
2050-2054	-	-	624
Total Minimum Revenues	**$ 68,876**	**$ -**	**$ 291,283**

NOTE 12 - ENDOWMENTS

Primary Government

A. Georgia Institute of Technology

The Institute's donor restricted endowment funds consist of true endowments. The Institute classifies true endowments as restricted nonexpendable net position. A true endowment is established when the donor states that the gift is to be held permanently as an endowment as identified in a written gift agreement or the organization restricts it for a specific use as solicited from donors. The original funds and any additional principal cannot be withdrawn, expended, or otherwise exhausted. The by-laws of the Board of Regents of the University System of Georgia permit each individual institution to use prudent judgment in the spending of realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted – expendable net position for expenditure as specified by the purpose of the endowment.

Net Position (in thousands):		
Restricted - Nonexpendable	$	63,074
Restricted - Expendable		7,307
	$	70,381

B. Georgia State University Foundation, Inc.

The Foundation's endowment consists of approximately 465 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees (Board) to function as endowments. Net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted Georgia Uniform Prudent Management of Institutional Funds Act ("UPMIFA") of 2008, as requiring the assets of an endowment fund be donor-restricted until allocated for spending, unless otherwise specifically stated in the gift instrument. The Board believes this interpretation is consistent with the long-established Board-approved investment and spending policy which is specifically referenced in the Foundation's endowed gift instrument. In accordance with the investment policy and UPMIFA, with the exception of certain restricted assets that are separately invested, all restricted endowment assets are invested in the endowment pool on a pooled basis until allocated for spending.
As a result of this interpretation, the Foundation classifies permanently restricted net position as assets that, under the terms of the gift instrument, are permanent endowments not wholly expendable by the Foundation on a current basis until a portion is allocated for spending. Permanently restricted assets are invested in perpetuity in the endowment investment pool subject to periodic spending allocations where a portion of the donor-restricted endowment fund in permanently restricted net position is allocated and classified as temporarily restricted net position available for spending.

The endowment investment pool also includes donor-restricted funds classified as temporarily restricted net position, not specifically designated as permanently restricted endowment funds but they are restricted and designated for a particular college or unit of the University. From time to time the Foundation will approve requests from a college or unit to invest a portion of these funds in the endowment investment pool. These funds are designated as quasi endowments or funds functioning as endowments. The Foundation classifies these funds and the related investment return and spending allocation as temporarily restricted net position. There is no unrestricted net position invested in the endowment investment pool.

Based on the interpretation of the investment policy and UPMIFA, the total return of the endowment investment pool including appreciation, depreciation, income, expenses and fees shall be allocated to each endowment based on the ratio of that endowment's investment balance to the total endowment pool and included as part of the endowment net position classification.

NOTE 12 - ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Foundation's primary long-term objective of the endowment pool is to earn an average annual total return net of fees and expenses (including advisor and Foundation fees), through appreciation and income, equal to or greater than the spending allocation rate, plus the rate of inflation as measured by the Consumer Price Index for all Urban Consumers (CPI-U), over long time periods (rolling ten or fifteen-year periods).

The Foundation understands the long-term nature of the endowment pool and believes investing in assets with higher return expectations outweighs the short-term volatility risks. In order to achieve the objectives, historically, funds have had to exceed the objective substantially during some periods in order to compensate for inevitable shortfalls during other periods. Hence, the evaluation of progress toward the objectives should be made with a long-term perspective. The Foundation also recognizes the objectives to grow the endowment, produce a predictable spending allocation, and to cover fees, involves tradeoffs that must be balanced in establishing the investment and spending policies.
The Foundation stands prepared to incur risks consistent with its pursuit of the return objective set forth above, subject to two overarching limits. Its endowment pool should be deployed in a manner that reduces to tolerable levels (defined as 25% or below) the probabilities that it will suffer (1) peak-to-trough declines in endowment purchasing power exceeding 20% or (2) a shortfall exceeding 3% annualized total return relative to those of an approved peer group measured over rolling five-year periods.

Endowment Spending Policy

In accordance with UPMIFA the Foundation considers the following factors in making a determination to appropriate and allocate assets for spending or accumulate assets of an endowment fund:

1) The duration and preservation of the fund
2) The purposes of the Foundation and the endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

According to the spending policy, the Foundation is not obliged to allocate for spending a stated percentage of its endowment assets in any given year. However, in order to achieve both reasonable stability in budgeting and a reasonable balance between near-term and distant programmatic priorities, the Board has adopted the following spending policy:

The allocation for spending in any given fiscal year shall equal:

- 70% of spending for the prior year, adjusted for cumulative changes in inflation (as measured by CPI), plus
- 30% of Foundation's long-term spending rate (currently 4.5%) applied to the endowment's market value at the beginning of the year.

This amount is divided by the endowment market value at the beginning of the year to calculate the spending allocation rate, which was 4.25% for the year ended June 30, 2013. The spending allocation rate for the year ended June 30, 2014 of 4.20% was applied to each individual endowment based on its average market value during the year. The total endowment spending allocation distributed for the year ended June 30, 2014 was $4.9 million. To the extent that the endowment investment pool's total return is greater or less than the allocations made for spending, the fair value of each endowment increases or decreases accordingly.

	Donor-restricted Endowment Funds	Quasi-endowment Funds	Total
Endowment net position composition			
by classification (in thousands)			
Unrestricted	$ -	$ -	$ -
Temporarily Restricted	-	29,316	29,316
Permanently Restricted	98,057	-	98,057
	$ 98,057	$ 29,316	$ 127,373

	Donor-restricted Endowment Funds	Quasi-endowment Funds	Total
Changes in endowment net position			
(in thousands)			
Endowment net position, beginning of year	$ 87,057	$ 26,537	$ 113,594
Investment return:			
Net realized/unrealized gain (loss)	10,836	3,261	14,097
Total investment return	10,836	3,261	14,097
Contributions	4,095	532	4,627
Appropriation of endowment assets for expenditure	(3,761)	(1,145)	(4,906)
Transfers to comply with donor intent	(170)	131	(39)
Endowment net position, end of year	$ 98,057	$ 29,316	$ 127,373

C. University of Georgia

The University's donor restricted endowment funds consist of true endowments. The University classifies true endowments as restricted nonexpendable net position. A true endowment is established when the donor states that the gift is to be held permanently as an endowment as identified in a written gift agreement or the organization restricts it for a specific use as solicited from donors. The original funds and any additional principal cannot be withdrawn, expended, or otherwise exhausted. The by-laws of the Board of Regents of the University System of Georgia permit each individual institution to use prudent judgment in the spending of realized and unrealized endowment appreciation. Donor-restricted endowment appreciation is periodically transferred to restricted – expendable net position for expenditure as specified by the purpose of the endowment.

Net Position (in thousands):	
Restricted - Nonexpendable	$ 67,996
Restricted - Expendable	7,811
	$ 75,807

NOTE 12 - ENDOWMENTS (continued)

Component Units

A. Georgia Tech Foundation, Inc.

The Foundation's endowment consists of approximately 2,400 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation management has interpreted the UPMIFA as providing among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the institution to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of an endowment fund below its book value, which was previously not allowed. As a result of this interpretation, the Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.
The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA. In accordance with the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purposes of the Foundation and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and appreciation of investments;
6) Other resources of the Foundation; and
7) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The primary long-term financial investment objectives are to preserve the real purchasing power of the endowment to earn an average annual real return of at 5.0% per year, net of management fees, over the long term, defined as rolling five-year periods. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation utilizes a diversified asset allocation strategy designed to achieve its long-term return objectives while minimizing risk. As part of this strategy, the Foundation invests a portion of its funds in assets that have desirable return and/or diversification characteristics but which may be less liquid than other investment assets. The Foundation management constantly monitors its liquidity position to assure that it has the funds necessary to meet its obligations.

Endowment Spending Policy

The Foundation has a policy of appropriating for expenditure, on an annual basis, up to 6.0% of the trailing twelve quarter average market value of its endowment funds. The amount appropriated for expenditure includes an administrative fee for general overhead costs incurred in connection with the support and management of its endowments funds.

	Unrestricted	Temporary Restrcited	Permanently Restrcited	Total
Endowment net position composition				
by type of fund (in thousands)				
Donor-restricted endowment funds	$ (84)	$ 563,290	$ 546,864	$ 1,110,070
Board-designated endowmnent funds	201,528	-	-	201,528
	$ 201,444	$ 563,290	$ 546,864	$ 1,311,598

	Unrestricted	Temporary Restrcited	Permanently Restrcited	Total
Changes in endowment net position (in thousands)				
Endowment net position, beginning of year	$ 172,079	$ 449,088	$ 491,622	$ 1,112,789
Investment return:				
Investment income	3,836	13,732	93	17,661
Net realized/unrealized gain (loss)	35,595	121,705	1,347	158,647
Total investment return	39,431	135,437	1,440	176,308
Contributions	751	18,832	52,064	71,647
Change in value of trusts and annuities	-	236	1,634	1,870
Other income	-	83	104	187
Appropriation of endowment assets for expenditure	(10,817)	(40,386)	-	(51,203)
Endowment net position, end of year	$ 201,444	$ 563,290	$ 546,864	$ 1,311,598

B. University of Georgia Foundation

The Foundation's endowment funds consist of individual donor restricted endowment funds and funds designated by the Board of Trustees (Board) to function as endowments. The net position associated with such endowment funds, including those designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

As of July 1, 2008, the Foundation adopted the UPMIFA, which requires the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation allows spending from endowment funds

NOTE 12 - ENDOWMENTS (continued)

based on the current spending policy. Fund spending is limited to the lesser of the established spending rate or available cash balance and investment return. In accordance with UPMIFA, the Foundation considered following factors in making its determination to appropriate or accumulate endowment funds:

1) The duration and preservation of the funds
2) The purposes of the Foundation and the donor restricted endowment funds
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

Where the Board designates unrestricted funds to function as endowments, they are classified as unrestricted net position.

<u>Return Objectives and Risk Parameters</u>

The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Under this policy, endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 7.1% annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (net realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

<u>Endowment Spending Policy</u>

The Foundation's Investment Committee (Committee) determines the method to be used to appropriate endowment funds for expenditure. The appropriation amount for the following fiscal year's spending rate is determined using investment values on a calendar-year basis. In 2014, the Committee established a 4.0% spending rate for fiscal year 2014 based on the endowment value at December 31, 2012. The method used to calculate the spending budget was adopted by the Committee to reduce the spending volatility and include a predetermined inflation factor. The formula used for the fiscal year 2014 spending budget is ((80% * (1 + Consumer Price Index)) * fiscal year 2013 spending amount) + (20% * (fiscal year 2014 spending rate * endowment market value at December 31, 2012)). In establishing this method, the Committee considered the expected long-term rate of return on the investment of the Foundation's endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of approximately 2.1% annually, consistent with its intention to maintain the purchasing power of the endowment assets. Depending upon market conditions and the needs and available resources of the Foundation, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the individual endowment.

	Unrestricted	Temporary Restrcited	Permanently Restrcited	Total
Endowment net position composition				
by type of fund (in thousands)				
Donor-restricted endowment funds	$ (1,365)	$ 323,026	$ 396,178	$ 717,839
Board-designated endowmnent funds	71,508	-	-	71,508
	$ 70,143	$ 323,026	$ 396,178	$ 789,347

	Unrestricted	Temporary Restrcited	Permanently Restrcited	Total
Changes in endowment net position				
(in thousands)				
Endowment net position, beginning of year	$ 52,219	$ 244,351	$ 372,376	$ 668,946
Investment return:				
Investment income	664	6,511	1	7,176
Market value adjsutment	9,720	92,553	-	102,273
Total investment return	10,384	99,064	1	109,449
Contributions	7,893	4,294	22,929	35,116
Other income	-	-	872	872
Appropriation of endowment assets for expenditure	(353)	(24,683)	-	(25,036)
Endowment net position, end of year	$ 70,143	$ 323,026	$ 396,178	$ 789,347

NOTE 13 - SERVICE CONCESSION ARRANGEMENTS

A. Primary Government

Georgia Gwinnett College

In May 2014, Georgia Gwinnett College (GGC) entered into an agreement with Aramark Educational Services, LLC (Aramark) whereby Aramark will operate food services operations from service recipients. Aramark is required to operate the food service facilities in accordance with the contractual agreement. Under the terms of the contract, Aramark committed to a lump sum upfront payment of $0.4 million. GGC will also receive three yearly installment payments of $0.5 million from Aramark for a total of $1.5 million. In addition to upfront or installment payments, GGC keeps a portion of meal plan revenues each semester and 88% of each semester's revenue is remitted to Aramark. The agreement is renewable each year for ten years.

At June 30, 2014, the enterprise fund financial statements include deferred inflow of resources of $1.9 million and accounts receivable of $1.9 million for the contractual commitment with Aramark.

Kennesaw State University

In August 2001, Kennesaw State University (KSU) (higher education fund) entered into an agreement with Kennesaw State University Foundation, Inc. (KSUF) (component unit) whereby KSUF will operate and collect revenues for housing operations from students. KSUF is required to operate the dormitory ("University Place") in accordance with the contractual agreement. Under the terms of the agreement, KSU will take full ownership of the dormitory at the end of the operating agreement in July, 2031.

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 dormitory ("University Village") in accordance with the contractual agreement. Under the terms of the agreement, KSU will take full ownership of the dormitory at the end of the operating agreement in July, 2034.

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 dormitory ("University Suites") in accordance with the contractual agreement. Under the terms of the agreement, KSU will take full ownership of the dormitory at the end of the operating agreement in July, 2037.

At June 30, 2014, the enterprise fund financial statements include capital assets with a combined net carrying value of $74.3 million for these three dormitories with an offsetting deferred inflow of resources of $74.3 million. As part of the contractual agreement, the KSUF is responsible for insuring each of the three dormitories and for providing maintenance services. As such, KSU has no reportable obligation for these services.

NOTE 14 - DEFERRED INFLOWS AND OUTFLOWS

Deferred Outflows and Inflows of Resources at June 30, 2014, consisted of the following (in thousands):

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ 3,769	$ 3,769	$ 7,416
Deferred Amount on Refunding of Bonded Debt	236,307	41,915	278,222	33,079
Total Deferred Outflows of Resources	**$ 236,307**	**$ 45,684**	**$ 281,991**	**$ 40,495**
Deferred Inflows of Resources				
Deferred Service Concession Arrangement Receipts	$ -	$ 76,162	$ 76,162	$ -
Deferred Amount on Refunding of Bonded Debt	-	15,755	15,755	-
Unavailable Revenue	419	8,855	9,274	-
Total Deferred Inflows of Resources	**$ 419**	**$ 100,772**	**$ 101,191**	**$ -**

Detailed information on amounts reported in the Accumulated Decrease in Fair Value of Hedging Derivatives line item for the primary government and component units, is reported in *Note 6, Derivative Instruments*.

Note 13, Service Concession Arrangements, provides detailed information on deferred inflows from such arrangements within the primary government.

The $0.4 million deferred inflows of resources, reported in the governmental activities column, represents imposed fees received prior to the period when these resources are permitted to be used.

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'). 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 writing to the State Accounting Office, 200 Piedmont Avenue, Suite 1604 West Tower, Atlanta, Georgia 30334-9010. In addition, the State administers the Regents Retirement Plan, which is an optional retirement plan for certain university employees. The State's significant retirement plans are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

A. Summary of Significant Accounting Policies

Basis of Accounting

Retirement plan financial statements are prepared on the accrual basis of accounting, except for the collection of fines and forfeitures which are recognized when collected from the courts and insurance company premium taxes which are recognized annually, upon receipt. Contributions from the employers and members are recognized as additions when due, pursuant to formal commitments, as well as statutory or contractual requirements. Retirement benefits and refund payments are recognized as deductions when due and payable. The retirement plan's fiduciary net positions have been determined on the same basis as they are reported by the various plans.

Investments

Investments are reported at fair value. 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, 2014, 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), was 5.95%.

For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the TRS plan was 12.17%.

For the year ended June 30, 2014, the annual money-weighted rate of return on the fund's investments, net of pension plan investment expense for the Peace Officers' plan was 18.49%.

For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the Firefighters' plan was 17.6%.

For all plans mentioned above, the money-weighted rate of return expressed 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 Trustees 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, 2014:

Asset Class	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Fixed Income	25% - 45%	25% - 45%	25% - 45%	25% - 45%	20% - 40%	33.9%
Equities	55% - 75%	55% - 75%	55% - 75%	55% - 75%	30% - 75%	34.8%
International equity	-	-	-	-	-	20.0%
Real estate	-	-	-	-	-	5.0%
Private equity	-	-	-	-	-	1.2%
Commodities/Real Assets	-	-	-	-	-	4.7%
Alternative Investments	0% - 5%	0% - 5%	0% - 5%	-	-	-
Cash	-	-	-	-	0% - 10%	0.4%
Total	100%	100%	100%	100%	100%	100%

B. Defined Benefit Plans

<u>Plan Descriptions and Funding Policy</u>

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

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.

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

NOTE 15 - RETIREMENT SYSTEMS (continued)

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.

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 non-employer contributions required, as a percentage of covered payroll, for fiscal year 2014 were based on the June 30, 2011, actuarial valuation as follows:

Plan Segment	Contribution Rate
Old Plan *	18.46%
New Plan	18.46%
GSEPS	15.18%

* 13.71% exclusive of contributions paid by the State on behalf of old plan members

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

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.

A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten 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.

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 of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

Non-employer contributions required for the year ended June 30, 2014 were $692 per active member and were based on the June 30, 2011, actuarial valuation.

Members become vested after ten 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

The Georgia Judicial Retirement System is also a plan within the System. GJRS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly for the purpose of providing retirement allowances for judges and solicitors generals of the state courts and juvenile court judges in Georgia, and their survivors and other beneficiaries, superior court judges of the state of Georgia, and district attorneys of the state of Georgia. The ERS Board of Trustees and three additional trustees, administers 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.

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 66⅔% of state paid salary at retirement for district attorneys and superior court judges and 66⅔% 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.

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.

Pursuant to OCGA 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 OCGA 47-23-82 the employer contributions for juvenile court judges are funded by the State on behalf of local county employers.

Employer and non-employer contributions required for fiscal year 2014 were based on the June 30, 2011 actuarial valuation and are 4.23%.

Members become vested after ten 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

TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia

NOTE 15 - RETIREMENT SYSTEMS (continued)

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.

TRS provides service retirement, disability retirement, and survivor's benefits. Title 47 of the OCGA 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.

TRS is funded by member, employer and non-employer contributing entity (Non-employer) contributions as adopted and amended by the Board of Trustees. Pursuant to OCGA 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. 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.

Member contributions as adopted by the Board of Trustees for fiscal year 2014 were 6% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

Peace Officers' Annuity and Benefit Fund of Georgia

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 Trustees 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 OCGA 47-17-20.

Individuals eligible to apply for membership in the Peace Officers' fund are defined in the OCGA 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.

The Peace Officers' fund provides retirement as well as disability and death benefits. Title 47 of the OCGA assigns the authority to establish and amend the provisions of the Peace Officers' fund to the

State Legislature. 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, 2014, 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 Trustees 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. Death, disability, and spousal benefits are also available.

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.

The Peace Officers' fund is funded by member and non-employer contributing entity (Non-employer) 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 OCGA 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.

Court Fines and Forfeitures: Non-employer contributing entity contributions consist of court fines and forfeitures. For each criminal and quasi-criminal case involving the violation of State of Georgia laws, county ordinances, or municipal ordinances, a sum based upon the scale set forth below is collected and remitted to the Peace Officers' fund:

For fines and bond forfeitures in excess of $4, but not more than $25	$3
For fines and bond forfeitures in excess of $25, but not more than $50	$4
For fines and bond forfeitures in excess of $50, but not more than $100	$5
For fines and bond forfeitures in excess of $100	5%

The court fines and forfeitures, which were remitted to Peace Officers' by 1,096 courts, are considered to be the annual employer contribution amount. The minimum annual employer contribution requirements are set forth in OCGA 47-20-10 and are not actuarially determined. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of July 1, 2012, reflects the proceeds of designated portions of fines and forfeitures as the employer contribution and calculated the minimum employer contribution for the fiscal year ended June 30, 2014, as $22,340,743. The fines and forfeitures revenue of $15,342,296 for the fiscal year ended June 30, 2014, did not meet the minimum required fund contribution.

Administrative expenses are generally funded from current member and court fine and forfeiture contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

Georgia Firefighters' Pension Fund

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

NOTE 15 - RETIREMENT SYSTEMS (continued)

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 and any regular employee of the pension fund is eligible for membership. The pension fund is funded through a combination of member contributions paid by the affected firefighters and a tax imposed on gross insurance premiums written by insurance companies, corporations or associations for fire, inland marine or allied lines, lightning, extended coverage, and windstorm policies covering property within the State of Georgia.

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. A member must have terminated his or her service as a firefighter or volunteer firefighter to receive benefits.

The maximum retirement benefit at June 30, 2014 is $882 per month for the life of the member. The Board of Trustees is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1½ percent 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 one percent 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 two percent 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 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 ten 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. Death, disability, and spousal benefits are also available.

In the event of the termination of a member prior to the completion of fifteen years of service as a firefighter, 95 percent of the member's contributions will be returned.

The Firefighters' fund is funded by members and insurance premium tax contributions. The insurance premium tax contributions, which were remitted to the Firefighters' fund by 560 fire insurance companies, corporations, and associations, are considered to be the annual employer contribution amount. Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

Member Contributions: Each member must contribute $25 per month, to be paid no later than the tenth day of each month. In 2014, member contributions were $3,835,566.

Insurance Premium Tax: Non-employer contributing entity contributions consist of contributions from fire insurance companies, corporations or associations doing business within the State of Georgia. These contributions must be paid to the executive director of the Firefighters' fund and are comprised of one percent 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.

The minimum annual employer contribution requirements are set forth in the OCGA 47-20-10 and are not actuarially determined. This statute further 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, 2013, which reflected the proceeds of insurance premium tax collections as the employer contribution, indicated that the minimum employer contribution for the fiscal year ended June 30, 2014 was $28,955,864. The insurance premium tax revenue of $30,034,219 for the fiscal year ended June 30, 2014 does meet the minimum required fund contribution. Member contribution requirements are set forth in OCGA 47-7-60 and are not actuarially determined.

Administrative expenses are generally funded from current member and insurance premium tax contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

Plan Membership, Participating Employers, and Non-employer Contributing Entities

The following table summarized the participating membership, participating employers, and non-employer contributing entities by plan at June 30, 2014:

Participating Membership by Plan
June 30, 2014

Plan Membership	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Inactive plan members or beneficiaries currently receiving benefits	45,819	16,434	278	108,100	4,885	4,567
Inactive plan members entitled to but not yet receiving benefits	81,621	77,322	66	9,857	1,071	2,342
Inactive plan members not entitled to benefits	-	-	-	84,892	-	-
Active plan members	60,490	36,109	514	209,855	12,910	13,191
Total	187,930	129,865	858	412,704	18,866	20,100
Number of Employers	425	184	92	294	833	429

These counts treat each legal entity in the State reporting entity as one employer. Of the 425 employers in the ERS count, 424 are not in the State reporting entity. Of the 184 employers in the PSERS count, 183 are not in the State reporting entity. Of the 92 employers in the GJRS count, 91 are not in the State reporting entity. Of the 294 employers in the TRS count, 293 are not in the State reporting entity. None of the Peace Officers' or Firefighters' employer counts are in the State reporting entity.

NOTE 15 - RETIREMENT SYSTEMS (continued)

Employer Contributions

The following table summarizes the State's employer contributions by defined benefit plan for 2014, 2013, and 2012 (amount in thousands):

		ERS		GJRS		TRS	
		Required Contribution	Percent Contributed	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
Primary Government:							
	2014	$ 366,710	100%	$ 1,237	100%	$ 206,722	100%
	2013	301,679	100%	1,216	100%	187,826	100%
	2012	234,824	100%	1,231	100%	170,932	100%
Component Units:							
	2014	$ 6,417	100%	$ -	100%	$ 7,498	100%
	2013	5,059	100%	-	100%	6,978	100%
	2012	3,914	100%	-	100%	4,656	100%
Total Primary Government and Component Units:							
	2014	$ 373,127	100%	$ 1,237	100%	$ 214,220	100%
	2013	306,738	100%	1,216	100%	194,804	100%
	2012	238,738	100%	1,231	100%	175,588	100%

In addition to the above contributions for employees of organizations in the State reporting entity, the State also makes contributions directly to ERS, GJRS, and TRS on behalf of certain employers that are not in the reporting entity. The State made such contributions to ERS of $10.0 million in 2014, $12.4 million in 2013, and $6.2 million in 2012 on behalf of local tax commissioners and county State courts. The State also made such contributions to GJRS of $1.1 million in 2014, $1.1 million in 2013, and $0.9 million in 2012 for state court judges, solicitors general, and juvenile court judges. The State made such contributions to TRS of $6.3 million in 2014, $5.9 million in 2013, and $5.5 million in 2012 for public school support personnel.

The State, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The State made such contributions to PSERS of $27.2 million in 2014, $24.8 million in 2013, and $15.9 million in 2012 for public school personnel who are not eligible for membership in the TRS.

Peace Officers' court fines and forfeiture contributions and Firefighters' insurance premium tax are considered to be the annual employer contribution amount and are not actuarially determined. Information related to those contributions is included in the related sections above.

In certain prior years, the State did not contribute its full requirement for local tax officials because adequate funds were not appropriated. The cumulative contribution shortfall amounted to $6.2 million. The State is funding this obligation over a 10 year period that began October 1, 2011, through higher contribution rate assessments of $0.6 million each year. This assessment is in addition to the on-behalf amounts reported above. A liability has been reported in the governmental activities for the unpaid balance.

Net Pension Liability/(Asset) of Participating Employers and Non-employer Contributing Entities

The following table summarizes the components of the net pension liability/(asset), determined in accordance with GASB Statement 67 of the participating employers and non-employer contributing entities as of June 30, 2014, by plan (amount in thousands):

Components of the Net Pension Liability/(Asset)	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Total Pension Liability	$ 17,042,149	$ 930,745	$ 350,443	$ 79,099,772	$ 674,725	$ 848,314
Plan Fiduciary Net Position	13,291,531	821,733	400,790	66,466,091	698,889	761,115
Employers' and non-employer contributing entity's net pension liability/(asset)	$ 3,750,618	$ 109,012	$ (50,347)	$ 12,633,681	$ (24,164)	$ 87,199
Plan fiduciary net position as a percentage of the total pension liability/(asset)	77.99%	88.29%	114.37%	84.03%	103.58%	89.72%

Actuarial Valuation Date

The total pension liability at June 30, 2014 is based upon the June 30, 2013 actuarial valuation for ERS, PSERS, GJRS, TRS, and Firefighters' and June 30, 2012 for Peace Officers', using generally accepted actuarial procedures/techniques.

Actuarial Assumption

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:

	ERS	PSERS	GJRS	TRS	Peace Officers'	Firefighters'
Valuation date	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2012	6/30/2013
Actuarial assumptions:						
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increases	5.45% - 9.25%*	N/A	6.00%*	3.75% - 7.00%*	N/A	N/A
Investment rate of return[1]	7.50%	7.50%	7.50%	7.50%	7.00%	6.50%
Mortality	RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.	RP-2000 Combined Mortality Table set forward for one year for males for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.	RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.	RP-2000 Combined Mortality Table for Males or Females, set back two years for males and set back three years for females.	RP-2000 Combined Healthy Mortality Table with blue collar adjustment and fully generational mortality improvements.	Pre-retirement and post-retirement mortality rates were based on the RP-2000 blended mortality table with Projected Scale AA. Post-disability mortality rates were based on the 1944 Railroad Board Ultimate Table.
Actuarial experience study	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	7/1/2004 - 6/30/2009	N/A	7/1/2001 - 7/1/2006

[1]Investment rate of return is net of pension plan investment expense, including inflation.
* Includes an inflation assumption of 3.00%

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 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'[1]		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*
Intermediate Government Corp Credit	-	-	-	-	-	-	-	-	-	-	3.6%	2.25%
Mortgage Backed Securities	-	-	-	-	-	-	-	-	-	-	12.4%	1.25%
Fixed Income	30.0%	3.0%	30.0%	3.0%	30.0%	3.0%	30.0%	3.0%		-	-	-
Fixed Income - Domestic	-	-	-	-	-	-	-	-	20.0%	2.7%	-	-
Fixed Income - International	-	-	-	-	-	-	-	-	5.0%	4.0%	-	-
Core Bonds	-	-	-	-	-	-	-	-	-	-	10.3%	1.46%
Custom fixed income	-	-	-	-	-	-	-	-	-	-	7.6%	2.25%
Domestic large equities	39.7%	6.5%	39.7%	6.5%	39.7%	6.5%	39.7%	6.5%	35.0%	7.5%	16.5%	4.75%
Domestic mid equities	3.7%	10.0%	3.7%	10.0%	3.7%	10.0%	3.7%	10.0%	8.0%	8.4%	-	-
Domestic small equities	1.6%	13.0%	1.6%	13.0%	1.6%	13.0%	1.6%	13.0%	7.0%	8.6%	-	-
Domestic equity funds	-	-	-	-	-	-	-	-	10.0%	8.2%		
Small/mid cap equities	-	-	-	-	-	-	-	-	-	-	18.3%	5.00%
International developed market equities	18.9%	6.5%	18.9%	6.5%	18.9%	6.5%	18.9%	6.5%	-	-	15.0%	5.25%
International emerging market equities	6.1%	11.0%	6.1%	11.0%	6.1%	11.0%	6.1%	11.0%	-	-	5.0%	6.50%
International equity funds	-	-	-	-	-	-	-	-	10.0%	8.8%		
Private equity	-	-	-	-	-	-	-	-	-	-	1.2%	6.75%
Real estate	-	-	-	-	-	-	-	-	-	-	5.0%	3.50%
Real Assets (liquid)	-	-	-	-	-	-	-	-	-	-	4.7%	4.75%
Commodities	-	-	-	-	-	-	-	-	5.0%	6.4%		
Cash	-	-	-	-	-	-	-	-	-	-	0.4%	0.75%
Total	100%		100%		100%		100%		100%		100%	

[1]Peace Officers' long-term expected rate of return on pension plan investments was determined using a Monte Carlo simulation.
* Rates shown are net of the 3.00% 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 non-employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability for the Peace Officers' plan was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability for the Firefighters' plan was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that non-employer contributing entity contributions will remain level with current year contributions. 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 Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the employers and non-employer contributing entities. The net pension liability is calculated using the determined discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate by the plan (amount in thousands):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease	Current Discount Rate	1% Increase
	(6.50%)	(7.50%)	(8.50%)
ERS's Net Pension Liability	$ 5,469,145	$ 3,750,618	$ 2,287,751
	(6.50%)	(7.50%)	(8.50%)
PSERS's Net Pension Liability	$ 211,620	$ 109,012	$ 22,657
	(6.50%)	(7.50%)	(8.50%)
GJRS's Net Pension Liability/(Asset)	$ (16,060)	$ (50,347)	$ (80,106)
	(6.50%)	(7.50%)	(8.50%)
TRS's Net Pension Liability	$ 23,282,179	$ 12,633,681	$ 3,864,864
	(6.00%)	(7.00%)	(8.00%)
Peace Officers' Net Pension Liability/(Asset)	$ 55,513	$ (24,164)	$ (93,266)
	(5.50%)	(6.50%)	(7.50%)
Firefighters' Net Pension Liability/(Asset)	$ 202,058	$ 87,199	$ (7,805)

C. Defined Contribution Plans

GSEPS 401(k) Component of ERS Plan

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

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 1% of

NOTE 15 - RETIREMENT SYSTEMS (continued)

salary, along with a matching contribution from the State. 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.

There were 43,236 plan members and 212 participating employers in the plan at June 30, 2014.

In 2014, the State's employer and employee GSEPS contributions were $9.3 million and $16.4 million, respectively. Additionally, the State made contributions of about $0.1 million on behalf of employers that are not in the reporting entity. Employer contributions may be partially funded from non-vested contributions that were forfeited by employees.

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan established by the Georgia General Assembly in Chapter 21 of Title 47 of the OCGA. It is administered and may be amended by the Board of Regents (Proprietary Fund – Higher Education). A participant in the plan is an "eligible university system employee" defined as a faculty member or a principal administrator as designated by the regulations of the Board of Regents. Under the Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. The approved vendors have separately issued financial reports that may be obtained through their respective corporate offices.

Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

The University System of Georgia makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2014, 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 2014, employer and employee contributions were $110.6 million (9.24%) and $71.4 million (6%), respectively.

NOTE 16 - POSTEMPLOYMENT BENEFITS

The State provides the following significant other postemployment benefit (OPEB) plans:

Administered by Department of Community Health (DCH):
- Georgia State Employees Post-employment Health Benefit Fund (State OPEB Fund)
- Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund)

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

Administered by the Board of Regents University System Office:
- Board of Regents Retiree Health Benefit Fund (Regents Plan)

The financial statements for these plans are presented in the Fiduciary Funds section of this report. Separate financial reports that include the required supplementary information for these plans are also publicly available and may be obtained from the offices that administer the plans.

A. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of these plans are prepared using the accrual basis of accounting. Contributions from employers and members are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

B. Multiple-employer Plans

Plan Descriptions and Contribution Information

State OPEB Fund and School OPEB Fund

The State OPEB Fund and School OPEB Fund are cost-sharing multiple-employer defined benefit postemployment healthcare plans and are reported as employee benefit trust funds.

The State OPEB Fund provides postemployment health benefits (including benefits to qualified beneficiaries of eligible former employees) due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with DCH for inclusion in the plan. It also pays administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

The School OPEB Fund provides postemployment health benefits (including benefits for qualified beneficiaries of eligible former employees) due under the group health plan for public school teachers including librarians and other certified employees of public schools and regional educational service agencies or due under the group health plan for non-certified public school employees. It also pays administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees under both the State and School OPEB Funds, to the Board of Community Health (Board).

The plans are currently funded on a pay-as-you go basis. That is, annual costs of providing benefits will be financed in the same year as claims occur, with no significant assets accumulating as would occur in an advance funding strategy.

The contribution requirements of plan members and participating employers are established by the Board in accordance with the 2014 Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. As of January 1, 2012, for members with fewer than five years of service, contributions also vary based on years of service. As of January 1, 2012, on average, members with five years or more of service pay approximately 25% of the cost of health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers, including but not limited to State organizations and school systems, are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected pay-as-you-go financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined required contribution rates established by the Board for the active and retiree plans for the fiscal year ended June 30, 2014, were as summarized in the following tables:

Combined Active and State OPEB Fund Contribution Rates as a Percentage of Covered Payroll

State organizations, including technical colleges, and certain other eligible participating employers:		
June 2013	25.366%	for July 2013 coverage
July 2013 – June 2014	30.781%	for August 2013 – July 2014 coverage

Combined Active and School OPEB Fund Dollar Contribution Rates per Member per Month

Certificated teachers, regional educational service agencies, certain other eligible participating employers:		
June 2013	$937.34	for July 2013 coverage
July 2013 – June 2014	$945.00	for August 2013 – July 2014 coverage
Library employees:		
June 2013	$743.00	for July 2013 coverage
July 2013 – June 2014	$843.00	for August 2013 – July 2014 coverage
Non-certificated school personnel:		
June 2013	$446.20	for July 2013 coverage
July 2013 – June 2014	$596.20	for August 2013 – July 2014 coverage

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

No additional contribution was required by the Board for fiscal year 2014 nor contributed to the State OPEB Fund or to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for OPEB and are subject to appropriation.

The State's estimated required pay-as-you-go employer contributions made to the State OPEB Fund and the School OPEB Fund for the fiscal years ended June 30, 2014, 2013, and 2012 were (amount in thousands):

	State OPEB Fund		School OPEB Fund	
	State Employer Required Contribution	Percent Contributed	State Employer Required Contribution	Percent Contributed
2014	$ 165,917	100%	$ 2,395	100%
2013	169,992	100%	1,947	100%
2012	159,827	100%	1,949	100%

In addition to the above OPEB contributions for former employees of organizations in the State reporting entity, the State made on-behalf contributions during 2014, 2013 and 2012 to SHBP for combined active and OPEB coverage of certificated personnel employed by LEA's. A portion of those contributions was transferred to the School OPEB Fund as follows:

	On-behalf Contribution to SHBP	Estimated Transfer to School OPEB
2014	$0.7 billion	$186 million
2013	0.9 billion	224 million
2012	1.0 billion	279 million

State Employees' Assurance Department

SEAD-OPEB and SEAD-Active are cost-sharing multiple-employer defined benefit other postemployment plans that were created in fiscal year 2007 by the Georgia General Assembly to provide term life insurance to eligible members of the ERS, Georgia Judicial Retirement System (JRS), and Legislative Retirement System (LRS). SEAD-OPEB provides benefits for retired and vested inactive members, and SEAD-Active provides benefits for active members. Effective July 1, 2009, no newly hired members of any State public retirement system are eligible for term life insurance under SEAD. Pursuant to Title 47 of the OCGA, benefit provisions of the plans were established and can be amended by State statute.

In addition to SEAD-OPEB and SEAD-Active, and included with the OPEB plans, is the Survivors Benefit Fund (SBF). SBF was established under OCGA 47-2-128(c)(3) within the ERS trust solely for maintaining group term life insurance coverage for members of the ERS plan. All assets of SBF are therefore limited to the payment of benefits and expenses for such coverage and cannot be used to pay pension benefits of ERS. SBF is shown on the financial statements separately with the OPEB plans to closely align with their ultimate purpose. While shown within the OPEB plans for reporting purposes, SBF may only be used to pay benefits or expenses of SEAD-OPEB or SEAD-Active with authorization by the ERS Board of Trustees. There are no liabilities associated with this fund and an actuarial valuation is not prepared, as there are no funding requirements.

Contributions by plan members are established by the ERS Board of Trustees, up to the maximum allowed by statute (not to exceed 0.5% of earnable compensation). The ERS Board of Trustees establishes employer contribution rates, such rates which, when added to members' contributions, shall not exceed 1% of earnable compensation. Contributions for fiscal year 2014 were based on June 30, 2011, actuarial valuations as follows:

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

The ERS Board of Trustees voted and approved that the SEAD-OPEB employer contribution would be paid from existing assets of the Survivors Benefit Fund (SBF) instead of requiring payment by the employers. The SBF transferred $5.0 million and $12.7 million to the SEAD-OPEB Fund in 2013 and 2012, respectively. Of those amounts, $4.5 million and $11.1 million were paid on behalf of organizations in the State reporting entity for 2013 and 2012, respectively. There were no required employer contributions for SEAD in 2014.

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

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

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

Participating Employers

The number of participating employers for the multiple-employer postretirement benefit plans as of June 30, 2014, was:

State OPEB	215
School OPEB	245
SEAD (OPEB and Active)	482

Of the 482 employers in the SEAD count, 481 are not in the State reporting entity.

C. Single-employer Plan: Board of Regents Retiree Health Benefit Fund

Plan Description and Funding Policy

The Regents Plan is a single-employer, defined benefit postemployment healthcare plan administered by the Board of Regents (BOR). The Regents Plan was authorized pursuant to OCGA Section 47-21-21 for the purpose of accumulating funds necessary to meet employer costs of retiree postemployment health insurance benefits.

Pursuant to the general powers conferred by OCGA Section 20-3-31, the BOR (higher education fund) has established group health and life insurance programs for regular employees of the university system. It is the policy of the BOR to permit employees of the university system eligible for retirement or who become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the BOR define and delineate who is eligible for these postemployment health and life insurance benefits.

The contribution requirements of plan members and the employer are established and may be amended by the BOR. The Regents Plan is substantially funded on a pay-as-you-go basis; however, amounts above the pay-as-you-go basis may be contributed annually, either by specific appropriation or by BOR designation. Organizational units of the BOR pay

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

the employer portion for group insurance for eligible retirees. The employer portion of health insurance for its eligible retirees is based on rates that are established annually by the BOR for the upcoming plan year. For the 2014 plan year, the employer rate was approximately 75-80% of the total health insurance cost for eligible retirees, and the retiree rate was approximately 20-25%. The employer covers the total cost for $25,000 of basic life insurance. If an individual elects to have supplemental, and/or dependent life insurance coverage, such costs are borne entirely by the retiree.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) for the Regents Plan is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table presents the components of the annual OPEB cost, the amount actually contributed, and the changes in the net OPEB obligation for the Regents Plan for 2014, 2013, and 2012 (amount in thousands):

	Fiscal Year Ended 6/30/2014	Fiscal Year Ended 6/30/2013	Fiscal Year Ended 6/30/2012
Annual required contribution	$ 403,300	$ 362,400	$ 345,300
Interest on net OPEB obligation	69,900	57,500	45,800
Adjustment to annual required contribution	(63,400)	(52,100)	(41,500)
Annual OPEB cost (expense)	409,800	367,800	349,600
Less: Contributions made	(120,900)	(83,400)	(88,800)
Increase in net OPEB obligation	288,900	284,400	260,800
Net OPEB obligation - beginning of year	1,562,600	1,278,200	1,017,400
Prior Year Adjustment - Life Insurance	(8,400)	-	-
Net OPEB obligation - end of year	**$ 1,843,100**	**$ 1,562,600**	**$ 1,278,200**
Percentage of annual OPEB cost contributed	**29.5%**	**22.7%**	**25.4%**

D. Funded Status, Funding Progress, and Actuarial Methods and Assumptions

The funded status of each plan as of the most recent actuarial valuation date is as follows (amount in thousands):

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / (c)
State OPEB	6/30/2013	$ -	$ 3,587,913	$ 3,587,913	0.0%	$ 2,328,334	154.1%
School OPEB	6/30/2013	-	10,788,795	10,788,795	0.0%	9,445,376	114.2%
SEAD-OPEB	6/30/2013	907,831	754,786	(153,045)	120.3%	1,762,052	(8.7%)
SEAD-Active	6/30/2013	204,779	37,512	(167,267)	545.9%	1,767,052	(9.5%)
Regents Plan	7/1/2013	217	4,095,304	4,095,087	0.0%	2,594,800	157.8%

Actuarial valuations of an ongoing plan 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. The impact of the Affordable Care Act (ACA) was addressed in this evaluation. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2018 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting for 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, 2013 and 2012 valuations also included using payroll location codes and various pension plan data to exclude compensation for pension plan members ineligible for participation in SHBP. The schedule of funding progress with multiyear trend information for the Regents Plan is presented as required supplementary information following the notes to the financial statements. The multiyear trend information about the funding progress for the multiple-employer plans is presented in the standalone reports issued by the administering systems. These multiyear schedules indicate whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

	State OPEB and School OPEB	SEAD-OPEB and SEAD-Active	Regents Plan
Valuation date	6/30/2013	6/30/2013	7/1/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of pay, open	Level dollar, open	Level percentage of pay, closed
Remaining amortization period	30 years	N/A	30 years
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return	4.50%*	7.50%*	4.50%**
Salary Growth	n/a	0.00% - 9.25%*	3.00%**
Salary Scale	n/a	n/a	4.00%**
Healthcare cost trend rate - initial			
Pre-Medicare eligible	7.75%*	n/a	8.00%**
Medicare eligible	6.25%*	n/a	7.50%**
Ultimate trend rate			
Pre-Medicare eligible	5.00%	n/a	4.50%**
Medicare eligible	5.00%	n/a	4.50%**
Year of ultimate trend rate	2019	n/a	2030

* Includes an inflation assumption of 3.00%
** Includes an inflation assumption of 2.50%

NOTE 17 - RISK MANAGEMENT

A. Public Entity Risk Pool

Department of Community Health (DCH) administers the State Health Benefit Plan (SHBP) for the State. Under OCGA 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 (OCGA Section 45-18-2) (2) a plan for teachers (OCGA Section 20-2-881), and (3) a plan for non-certificated public school employees (OCGA Section 20-2-911). The SHBP acts as the plan administrator for approximately 460 organizations (state, county and local educational agencies) and provides health coverage to more than 0.6 million employees, teachers, retirees and their dependents. All employees become members of the plan unless coverage is rejected or waived. An employee may withdraw from the plan if they become eligible for coverage under the aged program of the Social Security Administration (OCGA 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 BOR maintains a program of health benefits for its employees and retirees. This plan is funded jointly through premiums paid by participants covered under the plan and employer contributions paid by the BOR and its organizational units. All units of the University System of Georgia share the risk of loss for claims of the plan.

C. Other Risk Management

Department of Administrative Services (DOAS) has the responsibility for administering the risk management funds of the State and 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 services 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. Premiums for the risk management program are charged to State organizations by DOAS to provide claims servicing and claims payment.

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, 2014, of $537.8 million both for workers' compensation and liability was charged back to the contributing funds. Expenditures of $366.3 million are reported in the General Fund, and expenses of $124.5 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, 2014, and 2013, is shown below (in thousands):

	Public Entity Risk Pool		Board of Regents Employee Health Benefits Plan		Risk Management Fund	
	Fiscal Year Ended 6/30/2014	Fiscal Year Ended 6/30/2013	Fiscal Year Ended 6/30/2014	Fiscal Year Ended 6/30/2013	Fiscal Year Ended 6/30/2014	Fiscal Year Ended 6/30/2013
Unpaid Claims and Claim Adjustments July 1	$ 224,461	$ 203,403	$ 32,737	$ 26,269	$ 574,861	$ 522,041
Current Year Claims and Changes in Estimates	1,880,541	2,074,390	360,328	325,395	138,458	192,341
Claims Payments	(1,927,919)	(2,053,332)	(353,976)	(318,927)	(130,781)	(139,521)
Unpaid Claims and Claim Adjustments June 30	**$ 177,083**	**$ 224,461**	**$ 39,089**	**$ 32,737**	**$ 582,538**	**$ 574,861**

STATE OF GEORGIA

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NOTE 18 - SEGMENT INFORMATION

Segments are identifiable activities reported within or as part of an enterprise fund by which some form of revenue-supported debt is outstanding. Furthermore, to qualify as a segment, an activity must meet an external requirement to separately account for a specific revenue stream and the associated expenses, gains, and losses. The State maintains ten enterprise funds that qualify as a segment. Financial information for each segment is included within the nonmajor enterprise funds. The following paragraphs describe the State's segments.

Armstrong Atlantic State University Educational Properties Foundation, Inc. includes several limited liability companies which have issued revenue bonds to finance the costs of acquiring, renovating, constructing, and equipping facilities around the campus of Armstrong Atlantic State University; to fund associated capitalized interest for the bonds; to fund debt service reserve funds; and to pay the costs of issuances.

Georgia Higher Education Facilities Authority, issued revenue bonds to acquire, construct, and equip several projects on college campuses throughout the State.

Georgia Southern University Housing Foundation, Inc. received revenue bond proceeds issued on its behalf by the Development Authority of Bulloch County. The revenue bonds were issued to finance construction of student housing and dining facilities, athletic and recreation facilities and to provide for future debt service payments.

Georgia State University Foundation, Inc. was incorporated to serve as the official fund-raising and fund-management organization for Georgia State University. Revenue bonds were issued on behalf of the Foundation to finance the acquisition, construction and equipping of certain land, buildings, equipment and other real and personal property to be used for a student housing project and office space.

Georgia State University Research Foundation, Inc. includes the activity of Science Park, LLC, which has issued revenue bonds to acquire, construct and equip a research facility on the campus of the Georgia State University; fund a debt service reserve fund; finance associated capitalized interest; and pay the costs of issuance.

Georgia Tech Facilities, Inc. issued revenue bonds to finance the costs of acquiring, renovating, constructing and equipping various facilities on the Georgia Institute of Technology campus. The debt service on these bonds is supported by leasing arrangements from various sources.

Middle Georgia State College Real Estate Foundation, Inc. includes several limited liability companies which have issued revenue bonds to finance construction and equipping of student housing, recreation and wellness facilities on college campuses supported by the Foundation. In addition, the proceeds will fund capitalized interest on the bonds, fund a debt service reserve fund and pay issuance costs associated with the bonds.

University of North Georgia Real Estate Foundation, Inc. received revenue bond proceeds issued on its behalf from the Oconee County Industrial Development Authority and Downtown Development Authority of the City of Dahlonega. The revenue bonds were issued to finance the cost of acquisition and improvement of the education facilities, construction of housing and other various facility projects.

UWG Real Estate Foundation, Inc. received Revenue Anticipation Certificate proceeds issued on its behalf by the Carrollton Payroll Development Authority. The proceeds are used to finance or reimburse the cost of construction, renovation or equipping of facilities. In addition, proceeds will be used to fund capitalized interest on the certificates, fund a debt service reserve fund for the certificates, and pay costs of issuance.

VSU Auxiliary Services Real Estate Foundation, Inc. includes several limited liability companies which have issued revenue bonds to finance the construction of facility and infrastructure projects on college campuses supported by the Foundation.

NOTE 18 - SEGMENT INFORMATION (continued)

Summary financial information for the State's segments for the year ended June 30, 2014, is presented below:

	Armstrong Atlantic State University Educational Properties Foundation, Inc.		Georgia Higher Education Facilities Authority		Georgia Southern University Housing Foundation, Inc		Georgia State University Foundation, Inc.		Georgia State University Research Foundation, Inc. Science Park, LLC	
Condensed Statement of Net Position										
Assets										
Current Assets	$	1,573	$	4,094	$	5,253	$	80,339	$	13,247
Noncurrent Assets		9,413		-		37,947		178,787		80,941
Due from Other Funds		99,734		278,637		220,130		235,312		-
Capital Assets		2,785		-		255		10,626		-
Total Assets		113,505		282,731		263,585		505,064		94,188
Deferred Outflows		-		-		1,680		-		-
Liabilities										
Current Liabilities		2,828		5,148		10,965		13,589		3,818
Noncurrent Liabilities		89,244		275,401		222,826		268,819		84,629
Due to Other Funds		-		-		4,459		-		-
Total Liabilities		92,072		280,549		238,250		282,408		88,447
Net Position										
Net Investment in Capital Assets		1,270		-		-		-		-
Restricted for:										
Other		-		-		-		106,407		5,741
Unrestricted		21,433		2,182		27,015		222,656		-
Total Net Position	$	21,433	$	2,182	$	27,015	$	222,656	$	5,741
Condensed Statement of Revenues, Expenses, and Changes in Net Position										
Operating Revenues (Pledged Against Bonds)	$	6,137	$	14,869	$	13,342	$	48,892	$	4,197
Depreciation/Amortization Expense		-		(71)		-		(589)		-
Other Operating Expenses		(1,520)		(37)		(651)		(25,375)		(122)
Operating Income (Loss)		4,617		14,761		12,691		22,928		4,075
Nonoperating Revenues (Expenses)										
Contributions to Permanent Endowments		-		-		-		7,502		-
Investment Income		247		1		633		6,925		293
Interest Expense		(4,434)		(14,869)		(9,829)		(10,456)		(4,246)
Other Nonoperating Expenses		87		-		-		-		-
Change in Net Position		517		(107)		3,495		26,899		122
Beginning Net Position (restated)		20,916		2,289		23,520		195,757		5,619
Ending Net Position	$	21,433	$	2,182	$	27,015	$	222,656	$	5,741
Condensed Statement of Cash Flows										
Net Cash Provided By (Used In):										
Operating Activities	$	6,122	$	19,079	$	17,530	$	27,901	$	3,973
Noncapital Financing Activities		-		(19,091)		42,760		2,638		-
Capital and Related Financing Activities		(5,881)		-		(22,707)		(21,331)		(5,916)
Investing Activities		310		174		(1,461)		19,700		2,160
Net Increase (Decrease)		551		162		36,122		28,908		217
Beginning Cash and Cash Equivalents		2,227		350		-		3,289		11,251
Ending Cash and Cash Equivalents	$	2,778	$	512	$	36,122	$	32,197	$	11,468

Georgia Tech Facilities, Inc.	Middle Georgia State College Real Estate Foundation, Inc.	University of North Georgia Real Estate Foundation, Inc.	UWG Georgia Real Estate Foundation, Inc.	VSU Auxillary Services Real Estate Foundation, Inc.
$ 13,612	$ 350	$ 2,536	$ 5,602	$ 12,017
8,115	14,077	23,822	6,116	-
260,159	97,625	141,216	128,580	195,888
3,599	-	1,194	-	227
285,485	112,052	168,768	140,298	208,132
31,723	-	-	1,425	7,994
12,094	4,273	7,537	3,481	4,654
287,828	97,274	154,366	134,953	180,147
81	-	-	-	-
300,003	101,547	161,903	138,434	184,801
-	-	-	-	-
-	-	-	-	-
17,205	10,505	6,865	3,289	31,325
$ 17,205	$ 10,505	$ 6,865	$ 3,289	$ 31,325
$ 15,354	$ 4,454	$ 8,538	$ 5,160	$ 11,546
(1,036)	(80)	(344)	-	(51)
(2,121)	(276)	(369)	(234)	(722)
12,197	4,098	7,825	4,926	10,773
-	-	-	-	-
172	-	1,863	215	175
(8,842)	(3,715)	(7,625)	(5,147)	(8,906)
-	-	(118)	90	(2,951)
3,527	383	1,945	84	(909)
13,678	10,122	4,920	3,205	32,234
$ 17,205	$ 10,505	$ 6,865	$ 3,289	$ 31,325
$ 21,890	$ 4,840	$ 9,605	$ 6,114	$ 14,404
-	139	22,508	15,857	-
(29,299)	(4,302)	(10,752)	(14,010)	(19,896)
172	13,614	1,444	(2)	176
(7,237)	14,291	22,805	7,959	(5,316)
10,553	-	-	-	16,306
$ 3,316	$ 14,291	$ 22,805	$ 7,959	$ 10,990

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. Also, certain charges for services by Georgia Technology Authority (internal service fund) to its State customers may have exceeded the cost of providing such services. Because these overcharges were included in amounts requested and received by State organizations from the federal government under financial assistance programs, it is anticipated that an amount will be due back to the federal government. The State believes that such disallowances, questioned costs and resulting refunds, if any, will be immaterial to its overall financial position.

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

1. *Phoenix Development and Land Investment, LLC v. Board of Regents* – the plaintiff, Phoenix Development and Land Investment (Phoenix), purchased a tract of land which included property upon which the Board of Regents inadvertently had placed part of an inert landfill prior to Phoenix's purchase. Phoenix filed an action against the Board of Regents claiming trespass, nuisance and inverse condemnation, seeking damages in the amount of $16 million. The Board of Regents filed a counterclaim for quiet title to the disputed property. The Special Master appointed to hear the quiet title rejected this counterclaim. After several motions hearings, the court granted a motion to dismiss the tort claims, so that the only claim remaining to be tried is the inverse condemnation claim. Potential damages recoverable are the just and adequate compensation for the inverse claim, plus possible attorney's fees and bad faith damages under O.C.G.A. Section 13-6-11. The trial has been set for January 5, 2015. At this stage of the 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.

2. *Tibbles v. Teachers Retirement System of Georgia, et al*. - this is a proposed class action filed by a retired teacher (Tibbles) who alleges that the Teachers Retirement System of Georgia (TRS) has underpaid her monthly retirement benefit as well as those of the members of the purported class. The Superior Court of Fulton County has approved the parties' joint request to litigate first the question of whether there is any liability to Tibbles. Then, only upon a finding of liability would the parties litigate the issue of whether a class should be certified. The parties filed cross-motions for summary judgment on the initial issue of liability in December 2013, and the trial court heard oral arguments in April 2014. On June 19, 2014, the trial court granted the motion for summary judgment filed by TRS and its Board of Trustees members and denied the motion for summary judgment filed by Tibbles. Tibbles filed an appeal to the Georgia Court of Appeals, which was then administratively transferred to the Georgia Supreme Court for jurisdictional reasons. The parties are filing briefs in November and December 2014. At this stage of the 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.

3. *Georgia Power Company, et al. v. Douglas J. MacGinnitie, Commissioner, Georgia Department of Revenue* – Georgia Power seeks a refund of sales and use taxes allegedly paid on purchases of certain tangible personal property, which Georgia Power asserts to be subject to certain manufacturing-related sales and use tax exemptions. The total sales and

use tax refund claimed by Georgia Power is in excess of $18 million. The Commissioner's position is that the machinery and equipment in question do not qualify for the sales tax exemption. The trial of the case was held on November 4-6, 2014. The parties have been instructed to file briefs, and the Tax Tribunal has indicated that a decision may be rendered by December 31, 2014. At this stage of the 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.

4. _*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 a notice of appeal with the Court of Appeals of Georgia on October 27, 2014. At this stage of the 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.

The U.S. Department of Health and Human Services (HHS) asserted a claim of approximately $37 million related to the Statewide Cost Allocation Plan for the fiscal years 2004 to 2009. Georgia Technology Authority (GTA) does not agree with this amount and is in the process of negotiating a settlement with HHS. The amount of the settlement has not been finalized.

C. Guarantees and Financial Risk

Component Units

Georgia Housing Finance Authority (GHFA) has uninsured loans of approximately $28.7 million as of June 30, 2014. All of these loans are for home mortgages in the State. A provision for possible losses on delinquent loans is made when, in the opinion of Authority management, the loan balance exceeds the net realizable value of the underlying collateral, including federal and mortgage pool insurance. The provision for possible losses recognized during fiscal year 2014 totaled $2.2 million and the total allowance for possible losses on mortgage loans receivable, which includes a provision for accrued interest on foreclosed loans, totaled $6.5 million at June 30, 2014. Collateralized loans historically have not resulted in losses. Since 2007, as a result of the depressed housing market, GHFA has experienced increases in loan delinquencies and decreases in underlying loan collateral. As a result, the Authority has increased its reserve for losses related to its uninsured loans in recent years.

D. Other Significant Commitments

Primary Government

Bond Proceeds

Georgia State Financing and Investment Commission (GSFIC) (general obligation bond projects fund) has entered into agreements with various State organizations for the expenditure of bond proceeds and cash supplements (provided by or on behalf of the organization involved) to acquire and construct capital projects. At June 30, 2014, the undisbursed balance remaining on these agreements approximated $1.2 billion. Of this balance, $81.4 million in encumbrances are included in the fund balance of the General Obligation Bond Projects Fund (see paragraph below regarding allowability of encumbering funds available on the statutory basis).

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

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, 2014, the fund balances of governmental funds include encumbrances of $3.4 billion in the general fund.

BOR (higher education fund) had significant, unearned, outstanding construction or renovation contracts executed in the amount of $164.8 million as of June 30, 2014. This amount is not reflected in the financial statements.

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 $451.1 million as of June 30, 2014. The $438.8 million AT&T master contract, effective May 1, 2009, is a five year contract with two optional years, and has a remaining balance of $114.3 million as of June 30, 2014.

In April 2011 as permitted by Article IX, Section III, Paragraph I (a) of the Constitution of 1983, State Roll and Tollway Authority (SRTA) (nonmajor enterprise fund) and Department of Transportation (GDOT) (general fund) entered into an agreement whereby GDOT would build and SRTA would fund a portion of certain transportation projects along the GA 400 corridor. The original SRTA commitment was $27.3 million and $2.1 million was added to the commitment in fiscal year 2013. Expenses through June 30, 2014, were $11.6 million with the remaining balance of $17.8 million, which is shown as restricted net position on the proprietary fund financial statements, carried forward to fiscal year 2015.

In addition, SRTA has contractual commitments on other uncompleted contracts of $582 million, the majority of which is for the I-75 Northwest Corridor Express Lane Project.

<u>Component Units</u>

Contractual Commitments

Georgia Environmental Finance Authority (GEFA) has entered into contractual agreements to fund three Clean Water State Revolving Loan Fund loans with resources from GEFA's Georgia Fund in the amount of $41.0 million. It is anticipated that balloon payments on these loans will become due in full between February 1, 2027, and February 1, 2028. GEFA plans to designate funds at a proportionate amount annually to accumulate adequate resources at the time the loans become payable to each of their respective funds beginning with fiscal year 2013. As of June 30, 2014, an amount of $5.9 million has been accumulated for the purpose of satisfying this future obligation.

At June 30, 2014, the Georgia Ports Authority (GPA) had commitments for construction projects of approximately $15.4 million.

In August 2007, the GPA formally entered into an agreement to make voluntary annual payments to the Office of Planning and Budget (OPB) over a 21-year period. The total amount of payments due to OPB at June 30, 2014, was approximately $203.8 million.

During the fiscal year ended June 30, 2013, the GPA entered into a compromise and settlement agreement with the U.S. Army Corps of Engineers, the State of South Carolina and several nongovernmental environmental organizations relative to the project by the U.S. Army Corps of Engineers to deepen the Savannah River federal navigation channel. The project is commonly referred to as the Savannah Harbor Expansion Project (SHEP).

The respective SHEP agreement, approved by the U.S. Federal District Court for the District of South Carolina, resulted in a commitment by the GPA in the amount of $35.5 million, 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 $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.

Jekyll Island State Park Authority has received loans from OneGeorgia Authority totaling $7.1 million for the construction of the Retail Village on Jekyll Island. Total project costs are anticipated to be approximately $8.3 million. A construction contract for $7.6 million was awarded to Dabbs-Williams General Contractor for the construction of Phase I and Phase II of the retail village.

University System Foundations

The Georgia Tech Athletic Association Foundation has entered into employment contracts with certain employees expiring in years through 2019 that provide for a minimum annual salary. At June 30, 2014, the total commitment for all contracts for each of the next five years is as follows:

June 30, 2015 - $6.3 million
June 30, 2016 - $6.0 million
June 30, 2017 - $3.2 million
June 30, 2018 - $1.7 million
June 30, 2019 - $0.1 million

In June 2013, Georgia Tech Foundation (Foundation) committed $22.5 million of unrestricted funds to the Georgia Institute of Technology for support of its programs and development operations, with a condition that the funds are to be expended during years 2013 and 2014. If the funds are not expended by June 30, 2015, the remainder is retained by the Foundation. As of June 30, 2014 the Foundation expended a total of $19.9 million and $2.6 million remained as a commitment.

In June 2006, the Foundation entered into a limited guaranty agreement with a bank in the amount of $4.8 million to support a letter of credit pertaining to an obligation GATV has under a rental agreement. The letter of credit was scheduled to expire in June 2014, but was amended to expire in June 2015. As consideration for the limited guaranty agreement, GATV pays the Foundation 0.20% of the limited guaranty amount annually.

NOTE 20 - SUBSEQUENT EVENTS

A. Primary Government

Long-term Debt Issues

General Obligation Bonds Issued

In June 2014, the State sold General Obligation bonds in the total amount of $823.6 million for delivery on July 10, 2014, 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 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:

Series	Amount (in millions)
2014A	$ 658.7
2014B	151.1
2014C	13.8
Total	**$ 823.6**

The true interest cost on the 2014ABC bonds was 2.99% and the average life is 10.032 years.

General Obligation Refunding Bonds

In June 2014, the State sold Series 2014D General Obligation refunding bonds in the total amount of $159.4 million for delivery on July 10, 2014, to refund $172.0 million of the State's outstanding General Obligation bonds to achieve debt service cash flow savings of $16.1 million over the life of the bonds.

The true interest cost for the Series 2014D refunding bonds, which have an average life of 1.90 years, is 0.457%.

Revenue Bonds

On August 1, 2014, the Development Authority of Cobb County issued $46.6 million in revenue bonds and loaned the proceeds to Kennesaw University Foundation. The bonds were issued to refund a portion of the 2004A, 2004C, and 2004D Series.

Other Subsequent Events

On July 15, 2014, Georgia Regents Health System refunded the 2008A and 2008B Bonds with the 2014A and 2014B Bonds, which are a direct bank placement of bonds in the amount of $60.9 million for both 2014A and 2015A Bonds

In July 2014, the Georgia State University Foundation, Inc. sold land and facilities at 55 Park Place to the University for $28.9 million and entered into a master lease for the space rented to the remaining third party tenants until all third party leases expire.

B. Component Units

Revenue Bonds

In July 2014, the Georgia World Congress Center Authority redeemed $19.3 million of refunding revenue bonds with the maturity dates of July 1, 2019 and July 1, 2020 with an interest rate of 3.17%.

Other Subsequent Events

On October 29, 2014, the Georgia Housing and Finance Authority issued 2014 Series B Single-Family Mortgage Bonds for $103.0 million.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Budgetary Comparison Schedule
Budget Fund
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Funds Available					
State Appropriation					
State General Funds	$ 17,422,367	$ 17,518,466	$ 17,518,466	17,518,437	$ 29
Revenue Shortfall Reserve for K-12 Needs	-	182,959	182,959	182,959	-
State Motor Fuel Funds	975,897	997,760	997,760	997,760	-
Lottery Proceeds	910,819	910,819	910,819	904,841	5,978
Tobacco Settlement Funds	199,759	200,119	200,119	200,119	-
Brain and Spinal Injury Trust Fund	1,989	1,989	1,989	1,989	-
Nursing Home Provider Fees	167,756	167,756	169,521	169,521	-
Hospital Provider Fee	241,674	254,371	237,978	237,978	-
State Funds - Prior Year Carry-Over					
State General Fund Prior Year	-	-	42,550	59,137	(16,587)
Brain and Spinal Injury Trust Fund - Prior Year	-	-	641	1,359	(718)
State Motor Fuel Funds - Prior Year	-	-	1,238,731	1,262,135	(23,404)
Tobacco Settlement Funds - Prior Year	-	-	437	437	-
Federal Funds					
CCDF Mandatory & Matching Funds	98,082	97,387	101,618	101,618	-
Child Care and Development Block Grant	112,823	103,741	118,380	118,155	225
Community Mental Health Services Block Grant	14,164	14,164	14,439	12,600	1,839
Community Services Block Grant	15,978	18,303	16,467	16,467	-
Federal Highway Administration - Highway Planning and Construction	1,143,641	1,143,641	1,551,730	1,516,397	35,333
Foster Care Title IV-E	73,979	72,634	77,835	77,333	502
Low-Income Home Energy Assistance	51,767	55,906	68,131	68,125	6
Maternal and Child Health Services Block Grant	20,887	20,411	31,214	15,546	15,668
Medical Assistance Program	5,959,209	6,029,386	6,605,903	6,422,319	183,584
Prevention and Treatment of Substance Abuse Block Grant	47,141	47,734	55,227	53,965	1,262
Preventive Health and Health Services Block Grant	2,258	2,158	3,799	1,473	2,326
Social Services Block Grant	89,752	88,298	81,371	77,051	4,320
State Children's Insurance Program	283,351	345,887	350,587	339,814	10,773
Temporary Assistance for Needy Families Block Grant	346,978	346,828	355,172	351,067	4,105
TANF Unobligated Balance	9,552	9,552	-	-	-
Federal Funds Not Itemized	3,505,111	3,357,080	3,987,293	3,640,280	347,013
American Recovery and Reinvestment Act of 2009					
Electricity Delivery and Energy Reliability	-	-	71	71	-
Federal Highway Administration - Highway Planning and Construction	-	-	2,308	2,308	-
Medical Assistance Program	-	-	92,913	77,794	15,119
Promote Health Information Technology	-	-	5,262	5,152	110
FFIND - Temporary Assistance for Needy Families	-	16,074	-	-	-
Federal Funds Not Itemized	-	62,647	505,681	340,983	164,698
Other Funds	9,304,886	9,312,826	10,444,426	10,687,102	(242,676)
Total Funds Available	40,999,820	41,378,896	45,971,797	45,462,292	509,505
Expenditures					
Georgia Senate	10,325	10,325	10,567	9,470	1,097
Georgia House of Representatives	18,416	18,416	19,093	16,413	2,680
Georgia General Assembly Joint Offices	9,886	9,886	10,022	8,363	1,659
Audits and Accounts, Department of	30,738	31,288	31,118	30,945	173
Appeals, Court of	14,592	14,592	14,720	14,713	7
Judicial Council	16,020	16,169	16,993	16,565	428
Juvenile Courts	7,235	7,347	7,347	6,875	472
Prosecuting Attorneys	64,861	64,958	80,991	80,933	58
Superior Courts	62,256	62,382	62,535	62,527	8
Supreme Court	11,252	11,266	11,327	11,327	-
Accounting Office, State	20,039	22,614	29,541	29,358	183
Administrative Services, Department of	198,941	199,387	322,198	210,087	112,111
Agriculture, Department of	50,758	47,269	53,614	53,276	338
Banking and Finance, Department of	11,204	11,204	11,204	10,774	430
Behavioral Health & Developmental Disabilities, Department of	1,160,609	1,146,044	1,181,732	1,168,517	13,215
Community Affairs, Department of	250,184	301,721	298,136	297,650	486
Community Health, Department of	12,886,221	12,913,006	13,622,050	13,003,030	619,020
Corrections, Department of	1,150,844	1,143,658	1,189,757	1,187,441	2,316

(continued)

	Original Appropriation	Amended Appropriation	Final Budget	Actual	Variance
Expenditures					
Defense, Department of	91,289	91,990	68,244	66,061	2,183
Driver Services, Department of	63,507	64,212	65,895	65,758	137
Early Care and Learning, Department of	692,951	690,480	704,358	697,269	7,089
Economic Development, Department of	37,099	37,034	41,060	40,905	155
Education, Department of	9,168,041	9,238,812	9,789,897	9,633,291	156,606
Employees' Retirement System of Georgia	51,368	51,656	51,656	49,830	1,826
Forestry Commission, Georgia	43,335	43,485	44,378	44,172	206
Governor, Office of the	165,686	170,518	617,899	326,742	291,157
Human Services, Department of	1,556,258	1,581,020	1,625,780	1,591,923	33,857
Insurance, Department of	21,550	21,550	20,540	20,388	152
Investigation, Georgia Bureau of	138,998	138,689	150,751	150,413	338
Juvenile Justice, Department of	308,121	304,620	306,449	298,481	7,968
Labor, Department of	136,465	138,173	160,475	148,440	12,035
Law, Department of	60,203	59,414	63,565	62,207	1,358
Natural Resources, Department of	253,693	240,078	291,009	274,942	16,067
Pardons and Paroles, State Board of	53,793	53,693	54,844	54,174	670
Properties Commission, State	820	820	1,500	1,457	43
Public Defender Standards Council, Georgia	41,558	43,488	79,015	77,017	1,998
Public Health, Department of	706,134	654,113	791,002	699,761	91,241
Public Safety, Department of	187,881	194,688	188,794	179,126	9,668
Public Service Commission	9,277	9,036	9,151	9,151	-
Regents, University System of Georgia	6,404,324	6,558,214	7,012,436	6,482,017	530,419
Revenue, Department of	178,020	208,078	210,908	209,745	1,163
Secretary of State	27,578	28,002	33,036	32,862	174
Soil and Water Conservation Commission	5,178	4,407	3,969	3,932	37
Student Finance Commission and Authority, Georgia	635,090	641,019	643,050	605,400	37,650
Teachers' Retirement System	32,111	32,558	32,558	30,984	1,574
Technical College System of Georgia	651,041	714,953	743,751	671,323	72,428
Transportation, Department of	2,052,912	2,080,089	3,891,090	2,708,053	1,183,037
Veterans Service, Department of	40,710	40,799	40,685	40,480	205
Workers' Compensation, State Board of	23,225	23,225	23,045	17,713	5,332
State of Georgia General Obligation Debt Sinking Fund	1,187,223	1,188,451	1,238,062	1,082,155	155,907
Total Expenditures	40,999,820	41,378,896	45,971,797	42,594,436	3,377,361
Excess of Funds Available over Expenditures	$ -	$ -	$ -	$ 2,867,856	$ (2,867,856)

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	General Fund
Sources/Inflows of Resources	
Summary	
Actual amounts (budgetary basis) “Total Funds Available” from the budgetary comparison schedule	$ 45,462,292
Differences - budget to GAAP	
Perspective Differences:	
Revenues of budgeted funds included in the Budget Fund, but removed from the General Fund for financial reporting purposes.	(8,705,237)
Revenues of nonbudgeted funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	20,314,272
State appropriations revenues are budgetary resources, but are netted with the State's treasury disbursements for GAAP purposes.	(20,213,554)
Basis Differences:	
Accrual of taxpayer assessed receivables and revenues.	56,135
Fund balance adjustments are not inflows of budgetary resources, but affect current year revenues for GAAP reporting purposes.	(435,826)
Prior Year Reserves Available for Expenditure are included in Funds Available, but are not revenues for GAAP reporting purposes.	(2,113,967)
Revenues from intrafund transactions are budgetary resources, but are not revenues for GAAP reporting purposes.	(562,214)
Receivables and revenues accrued based on encumbrances reported for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP reporting.	(274,000)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.	(55,176)
Revenue reported for nonbudgetary food stamp program and donated commodities.	3,022,687
Other net accrued receivables and revenues.	53,727
Total Revenues (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 36,549,139

Required Supplementary Information
Budget to GAAP Reconciliation
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	General Fund
Uses/Outflows of Resources	
Summary	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	$ 42,594,436
Differences - budget to GAAP	
Perspective Differences:	
Expenditures of nonbudgeted Funds included within the State's reporting entity, and shown in the General Fund for financial reporting purposes.	63,678
Expenditures of Budgeted Funds for organizations not reported in the General Fund.	(10,309,309)
Basis Differences:	
Accrual of teacher salaries not included in current budget year.	24,204
Capital lease acquisitions are not outflows of budgetary resources, but are recorded as current expenditures and other financing sources for GAAP reporting.	8,207
Change in expenditure accrual for nonbudgetary Medicaid claims	(31,900)
Encumbrances for supplies and equipment 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 supplies and equipment are received.	(250,204)
Expenditures from intrafund transactions are budgetary outflows, but are not expenditures for GAAP reporting purposes.	(562,814)
Expenditures reported for nonbudgetary food stamp program and donated commodities.	3,022,687
Fund balance adjustments are not outflows of budgetary resources, but affect current year expenditures for GAAP reporting purposes.	(589,746)
Transfers to other funds are outflows of budgetary resources, but are not expenditures for GAAP reporting purposes.	(1,454,667)
Other net accrued liabilities and expenditures.	43,870
Total Expenditures (General Fund) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 32,558,442

Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2014

Budgetary Reporting

Budgetary Process

OCGA 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.

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, 2014, 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.

Schedule of Funding Progress for Other Postemployment Benefits
(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)
Board of Regents - Retiree	7/1/2011	$ 123	$ 3,494,501	$ 3,494,378	0.0%	$ 2,526,212	138.3%
Health Benefit Fund	7/1/2012	166	3,758,970	3,758,804	0.0%	2,466,314	152.4%
	7/1/2013	217	4,095,304	4,095,087	0.0%	2,594,800	157.8%

Separate financial reports that include the required supplementary information for this plan are publicly available and may be obtained from the BOR.

Required Supplementary Information
Public Entity Risk Pool
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

Claims Development Information

The table below illustrates how SHBP's 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 fiscal 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.

	2013	2014
(1) Required contribution and investment revenue earned		
(fiscal year)	2,366,054	2,434,392
(2) Unallocated expenses	100,532	150,939
(3) Estimated claims and expenses, end of policy year,		
net incurred	2,074,390	1,886,365
(4) Net paid (cumulative) as of:		
End of policy year	2,053,332	1,738,795
One year later[1]	2,242,456	
(5) Reestimated net incurred claims and expenses:		
End of policy year	2,074,390	1,886,365
One year later[1]	2,068,566	
(6) Increase (decrease) in estimated net incurred claims		
and expenses from end of policy year	(5,824)	-

[1]Data not available prior to fiscal year 2013

Required Supplementary Information
Schedules of Employers' and Nonemployers' Contributions
Defined Benefit Pension Plans
For the Fiscal Year Ended June 30, 2014
(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]	6/30/2005	$ 243,074	$ 243,074	$ -	$ 2,514,430	9.67%
	6/30/2006	258,482	258,482	-	2,630,167	9.83%
	6/30/2007	270,141	270,141	-	2,680,972	10.08%
	6/30/2008	286,256	286,256	-	2,809,199	10.19%
	6/30/2009	282,103	281,206	897	2,674,155	10.52%
	6/30/2010	263,064	263,064	-	2,571,042	10.23%
	6/30/2011	261,132	261,132	-	2,486,780	10.50%
	6/30/2012	273,623	274,034	(411)	2,414,884	11.35%
	6/30/2013	358,376	358,992	(616)	2,335,773	15.37%
	6/30/2014	428,982	429,752	(770)	2,335,773	18.40%
Public School Employees Retirement System [2]	6/30/2005	$ 840	$ 840	$ -	N/A	N/A
	6/30/2006	3,638	3,638	-	N/A	N/A
	6/30/2007	6,490	6,490	-	N/A	N/A
	6/30/2008	2,869	2,869	-	N/A	N/A
	6/30/2009	5,529	5,529	-	N/A	N/A
	6/30/2010	5,530	5,530	-	N/A	N/A
	6/30/2011	7,509	7,509	-	N/A	N/A
	6/30/2012	15,884	15,884	-	N/A	N/A
	6/30/2013	24,829	24,829	-	N/A	N/A
	6/30/2014	27,160	27,160	-	N/A	N/A
Georgia Judicial Retirement System	6/30/2005	$ 1,594	$ 1,594	$ -	$ 42,916	3.71%
	6/30/2006	1,683	1,683	-	45,308	3.71%
	6/30/2007	1,778	1,778	-	48,621	3.66%
	6/30/2008	2,395	2,395	-	51,102	4.69%
	6/30/2009	1,703	1,703	-	52,803	3.23%
	6/30/2010	2,600	2,600	-	51,293	5.07%
	6/30/2011	1,932	1,932	-	52,331	3.69%
	6/30/2012	2,083	2,083	-	51,898	4.01%
	6/30/2013	2,279	2,279	-	52,807	4.32%
	6/30/2014	2,375	2,375	-	54,787	4.33%
Teachers Retirement System of Georgia	6/30/2005	$ 815,693	$ 815,693	$ -	$ 8,827,846	9.24%
	6/30/2006	855,626	855,626	-	9,260,022	9.24%
	6/30/2007	927,371	927,371	-	10,036,483	9.24%
	6/30/2008	986,759	986,759	-	10,633,179	9.28%
	6/30/2009	1,026,287	1,026,287	-	11,059,127	9.28%
	6/30/2010	1,057,416	1,057,416	-	10,856,427	9.74%
	6/30/2011	1,089,912	1,089,912	-	10,602,257	10.28%
	6/30/2012	1,082,224	1,082,224	-	10,527,471	10.28%
	6/30/2013	1,180,469	1,180,469	-	10,345,916	11.41%
	6/30/2014	1,270,963	1,270,963	-	10,349,862	12.28%
Peace Officers' Annuity and Benefit Fund of Georgia	6/30/2005	$ 12,495	$ 17,743	$ (5,248)	N/A	N/A
	6/30/2006	12,495	15,994	(3,499)	N/A	N/A
	6/30/2007	12,936	17,334	(4,398)	N/A	N/A
	6/30/2008	12,936	17,595	(4,659)	N/A	N/A
	6/30/2009	14,034	16,144	(2,110)	N/A	N/A
	6/30/2010	14,034	17,281	(3,247)	N/A	N/A
	6/30/2011	19,760	16,185	3,575	N/A	N/A
	6/30/2012	19,760	16,256	3,504	N/A	N/A
	6/30/2013	22,343	15,472	6,871	N/A	N/A
	6/30/2014	22,340	15,342	6,998	N/A	N/A
Georgia Firefighters' Pension Fund	6/30/2005	$ 12,011	$ 19,403	$ (7,392)	N/A	N/A
	6/30/2006	16,083	21,033	(4,950)	N/A	N/A
	6/30/2007	20,456	22,538	(2,082)	N/A	N/A
	6/30/2008	20,706	25,415	(4,709)	N/A	N/A
	6/30/2009	22,845	26,446	(3,601)	N/A	N/A
	6/30/2010	36,031	25,720	10,311	N/A	N/A
	6/30/2011	36,031	26,257	9,774	N/A	N/A
	6/30/2012	29,995	27,399	2,596	N/A	N/A
	6/30/2013	29,995	28,786	1,209	N/A	N/A
	6/30/2014	28,956	30,034	(1,078)	N/A	N/A

This data, except for annual covered payroll, was provided by the System'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 Fiscal Year Ended June 30, 2014
(dollars in thousands)

	2014
Employees' Retirement System:	
Total pension liability	$ 17,042,149
Plan fiduciary net position	13,291,531
Employers' and nonemployers' net pension liability	$ 3,750,618
Plan fiduciary net position as a percentage of the total pension liability	77.99%
Covered-employee payroll	2,335,773
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	160.57%
Public School Employees Retirement System:	
Total pension liability	$ 930,745
Plan fiduciary net position	821,733
Employers' and nonemployers' net pension liability	$ 109,012
Plan fiduciary net position as a percentage of the total pension liability	88.29%
Covered-employee payroll	N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	N/A
Georgia Judicial Retirement System:	
Total pension liability	$ 350,443
Plan fiduciary net position	400,790
Employers' and nonemployers' net pension liability/(asset)	$ (50,347)
Plan fiduciary net position as a percentage of the total pension liability	114.37%
Covered-employee payroll	54,787
Employers' and nonemployers' net pension liability (asset) as a percentage of covered-employee payroll	(91.90)%
Teachers Retirement System:	
Total pension liability	$ 79,099,772
Plan fiduciary net position	66,466,091
Employers' and nonemployers' net pension liability	$ 12,633,681
Plan fiduciary net position as a percentage of the total pension liability	84.03%
Covered-employee payroll	10,349,862
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	122.07%
Peace Officers' Annuity and Benefit Fund of Georgia	
Total pension liability	$ 674,725
Plan fiduciary net position	698,889
Employers' and nonemployers' net pension liability/(asset)	$ (24,164)
Plan fiduciary net position as a percentage of the total pension liability	103.58%
Covered-employee payroll	N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	N/A
Georgia Firefighters' Pension Fund:	
Total pension liability	$ 848,314
Plan fiduciary net position	761,115
Employers' and nonemployers' net pension liability	$ 87,199
Plan fiduciary net position as a percentage of the total pension liability	89.72%
Covered-employee payroll	N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	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 Fiscal Year Ended June 30, 2014
(dollars in thousands)

	2014
Employees' Retirement System:	
Total pension liability:	
Service cost	$ 150,075
Interest	1,224,380
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(1,305,998)
Refunds of contributions	(8,757)
Net change in total pension liability	59,700
Total pension liability-beginning	16,982,449
Total pension liability-ending (a)	17,042,149
Plan fiduciary net position:	
Contributions-employer	418,807
Contributions-nonemployer	10,945
Contributions-member	32,423
Net investment income	2,021,748
Benefit payments	(1,305,998)
Administrative expense	(7,440)
Refunds of contributions	(8,757)
Other	-
Net change in plan fiduciary net position	1,161,728
Plan fiduciary net position-beginning	12,129,803
Plan fiduciary net position-ending (b)	13,291,531
Net pension liability-ending (a)-(b)	$ 3,750,618
Public School Employees Retirement System:	
Total pension liability:	
Service cost	$ 11,049
Interest	66,143
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(56,189)
Refunds of contributions	(514)
Net change in total pension liability	20,489
Total pension liability-beginning	910,256
Total pension liability-ending (a)	930,745
Plan fiduciary net position:	
Contributions-nonemployer	27,160
Contributions-member	1,659
Net investment income	123,799
Benefit payments	(56,189)
Administrative expense	(1,450)
Refunds of contributions	(514)
Other	-
Net change in plan fiduciary net position	94,465
Plan fiduciary net position-beginning	727,268
Plan fiduciary net position-ending (b)	821,733
Net pension liability-ending (a)-(b)	$ 109,012

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

Schedule includes all significants 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 Fiscal Year Ended June 30, 2014
(dollars in thousands)

	2014
Georgia Judicial Retirement System:	
Total pension liability:	
Service cost	$ 7,584
Interest	24,530
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(17,441)
Refunds of contributions	(22)
Net change in total pension liability	14,651
Total pension liability-beginning	335,792
Total pension liability-ending (a)	350,443
Plan fiduciary net position:	
Contributions-employer	1,373
Contributions-nonemployer	1,002
Contributions-member	4,731
Net investment income	60,012
Benefit payments	(17,441)
Administrative expense	(754)
Refunds of contributions	(22)
Other	-
Net change in plan fiduciary net position	48,901
Plan fiduciary net position-beginning	351,889
Plan fiduciary net position-ending (b)	400,790
Net pension liability (asset)-ending (a)-(b)	$ (50,347)
Teachers Retirement System:	
Total pension liability:	
Service cost	$ 1,374,556
Interest	5,557,046
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(3,764,452)
Refunds of contributions	(87,095)
Net change in total pension liability	3,080,055
Total pension liability-beginning	76,019,717
Total pension liability-ending (a)	79,099,772
Plan fiduciary net position:	
Contributions-employer	1,264,546
Contributions-nonemployer	6,417
Contributions-member	640,120
Net investment income	9,826,743
Benefit payments	(3,764,452)
Administrative expense	(15,025)
Refunds of contributions	(87,095)
Other	-
Net change in plan fiduciary net position	7,871,254
Plan fiduciary net position-beginning	58,594,837
Plan fiduciary net position-ending (b)	66,466,091
Net pension liability-ending (a)-(b)	$ 12,633,681

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 Fiscal Year Ended June 30, 2014
(dollars in thousands)

	2014
Peace Officers' Annuity and Benefit Fund of Georgia	
Total pension liability:	
Service cost	$ 17,890
Interest	43,877
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(27,263)
Refunds of contributions	(437)
Net change in total pension liability	34,067
Total pension liability-beginning	640,658
Total pension liability-ending (a)	674,725
Plan fiduciary net position:	
Contributions-nonemployer	15,342
Contributions-member	3,532
Net investment income	103,600
Benefit payments	(27,263)
Miscellaneous	90
Administrative expense	(730)
Refunds of contributions	(437)
Net change in plan fiduciary net position	94,134
Plan fiduciary net position-beginning	604,755
Plan fiduciary net position-ending (b)	698,889
Net pension liability (asset)-ending (a)-(b)	$ (24,164)
Georgia Firefighters' Pension Fund:	
Total pension liability:	
Service cost	$ 17,889
Interest	51,850
Benefit changes	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(37,530)
Refunds of contributions	(694)
Net change in total pension liability	31,515
Total pension liability-beginning	816,799
Total pension liability-ending (a)	848,314
Plan fiduciary net position:	
Contributions-nonemployer	30,034
Contributions-member	3,836
Net investment income	111,715
Benefit payments	(37,530)
Administrative expense	(1,209)
Refunds of contributions	(693)
Other	332
Net change in plan fiduciary net position	106,485
Plan fiduciary net position-beginning	654,630
Plan fiduciary net position-ending (b)	761,115
Net pension liability-ending (a)-(b)	$ 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
Schedule of Investment Returns
Defined Benefit Pension Plans
For the Fiscal Year Ended June 30, 2014

Annual money-weighted rate of return, net of investment expense

	Pooled Investment Fund: ERS, PSERS, and GJRS	TRS	Peace Officers'	Firefighters'
2014	5.95%	12.17%	18.49%	17.60%

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

Schedule includes all significant plans and funds administered by the State of Georgia

Notes to Required Supplementary Information
Methods and Assumptions
For the Fiscal Year Ended June 30, 2014

Actuarial Methods and Assumptions

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of actuarially determined contributions.

Employees' Retirement System

Changes of benefit terms: A new benefit tier was added for members joining the System on and after July 1, 2009.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Public School Employees Retirement System

Changes of benefit terms: The member contribution rate was increased from $4 to $10 per month for members joining the System on or after July 1, 2012.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

Georgia Judicial Retirement System

Changes of benefit terms: Spouses benefits were changed for members joining the System on or after July 1, 2012.

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Georgia Firefighters' Pension Fund

Changes of benefit terms: In 2013, membership dues were increased from $15 per month to $25 per month.

Change in assumptions: In 2013, the assumed investment rate of return was raised from 6.0% to 6.5%. A funding policy was adopted which changes the amortization period of the unfunded actuarial accrued liability from 15 to 30 years.

Method 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, 2011	June 30, 2011
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level percent of pay, open
Remaining amortization period	30 years	10 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Inflation	3.00%	3.00%
Salary increases:		
Fiscal Year 2011	0.00%	0.00%
Fiscal Year 2012-2013	2.725 - 4.625%	3.00%
Fiscal Year 2014+, including inflation	5.45 - 9.25%	6.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation

	PSERS	TRS
Valuation date	June 30, 2011	June 30, 2011
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level percent of pay, open
Remaining amortization period	30 years	30 years
Asset valuation method	7-year smoothed market	7-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, 2012	June 30, 2013
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	30 years
Asset valuation method	Market value	5-year smoothed market with 15% corridor
Inflation	3.00%	3.00%
Salary increases	N/A	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation	6.50%, net of pension plan investment expense, including inflation

Schedule includes all significant plans and funds administered by the State of Georgia

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APPENDIX C

STATISTICAL INFORMATION

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SELECTED EMPLOYMENT AND POPULATION DATA

The following tables under this heading set forth certain categories of employment and population data for the State of Georgia.

State of Georgia
Annual Averages

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2010	4,696,676	4,202,052	494,624	10.5
2011	4,748,579	4,262,403	486,176	10.2
2012	4,783,313	4,344,683	438,630	9.2
2013	4,758,725	4,367,926	390,799	8.2
2014	4,756,708	4,414,343	342,365	7.2
2015(a)	4.763,846	4,463,457	300,389	6.3

(a) March 2015 statistics are preliminary estimates and are seasonally adjusted
Source: U.S. Department of Labor, Bureau of Labor Statistics

State Employees
(As of June 30)

Year	Total Employees	Part Time	Full Time
2010	75,810	615	75,195
2011	73,452	664	72,788
2012	70,961	668	70,293
2013	68,360	623	67,737
2014	67,838	141	67,697

Source: State Personnel Administration

Major Nongovernmental Employers (Fiscal Year 2014)

Company
AT&T Services, Incorporated
Childrens Healthcare of Atlanta
Delta Air Lines, Incorporated
Emory Health Care, Incorporated
Emory University
Georgia Power Company
Home Depot USA, Incorporated
The Kroger CompanyLowe's Home Centers, Incorporated
Northside Hospital
The Olive Garden
Publix Supermarkets, Incorporated
Rare Hospitality International, Incorporated
Shaw Industries Group, Incorporated
United Parcel Service
Walmart Associates, Incorporated
Wellstar Health System, Incorporated

Source: Georgia Department of Labor (1st quarter 2014)

Employment in Non-Agricultural Establishments by Sector in Georgia
(Annual Average, in thousands)

Sector	2010	2011	2012	2013	2014	March 2015
Mining and logging	9.2	9.0	8.6	8.9	9.0	8.7
Construction	149.7	145.9	141.5	145.9	156.1	155.8
Manufacturing	344.8	350.4	354.4	357.3	367.2	371.6
Total – Goods Producing	503.8	505.3	504.5	512.1	532.3	536.1
Trade, transportation and utilities	810.1	821.8	833.2	845.1	871.8	896.0
Information	99.8	98.6	100.3	103.0	107.3	109.4
Financial activities	218.3	223.2	226.6	229.0	232.8	238.2
Professional and business services	526.1	544.2	561.5	587.5	618.7	629.8
Education and health services	475.5	484.7	495.3	510.0	523.7	539.1
Leisure and hospitality	374.0	381.7	393.8	411.4	430.1	446.6
Other services	153.6	153.6	153.1	153.2	154.3	155.8
Government	699.3	687.4	685.8	684.3	684.7	688.5
Total – Service Producing	3,356.6	3,395.2	3,449.5	3,523.3	3,623.3	3,703.4
Total non-farm	3,860.4	3,900.5	3,954.0	4,035.4	4,155.6	4,239.5

Source: U. S. Department of Labor, Bureau of Labor Statistics; March 2015 data is seasonally adjusted. (Note: amounts may not add precisely due to rounding.)

Average Hourly Earnings in Manufacturing

Year	United States	Southeast	Georgia	Georgia as % of U.S.	Georgia as % of Southeast
2010	$18.61	$17.17	$16.64	89.4%	96.9%
2011	18.93	17.51	17.69	93.4	101.0
2012	19.08	17.86	17.90	93.8	100.2
2013	19.30	18.38	18.08	93.7	98.4
2014	19.56	18.57	18.09	92.5	97.4

Source: US Department of Labor, Bureau of Labor Statistics

Average Annual Growth Rates in Hourly Earnings

Years	U.S.	Southeast (a)	Georgia
2000-2005	2.9%	2.8%	2.3%
2005-2010	2.4	3.0	2.7
2010-2014	1.3	2.0	2.1

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Source: U.S. Bureau of Labor Statistics, Employment and Earnings (Southeast calculated as weighted average of each state's average hourly earnings of production workers. Weight is based on number of employees on manufacturing payrolls.)

Population Trends

	1980	1990	2000	2010
State Total	5,464,265	6,478,000	8,186,453	9,687,653
Percent Urban	62.4%	65.0%	71.6%	75.1%
Percent Rural	37.6%	35.0%	28.4%	24.9%
Median Age	28.6 years	31.5 years	33.4 years	35.3 years

Source: U.S. Bureau of Census

Georgia Public School Enrollment (PK –12)

Year	Annual Enrollment (a)
2010-2011	1,679,412
2011-2012	1,684,430
2012-2013	1,702,758
2013-2014	1,723,439
2014-2015	1,744,029

(a) Enrollment as of October, yearly.

Source: Georgia Department of Education

Per Capita Income

			Georgia		
Year	U.S.	Southeast (a)	Income	% of U.S.	% of Southeast
2010	$40,144	$36,309	$34,341	85.5%	94.6%
2011	42,332	37,982	36,422	86.0	95.9
2012	44,200	39,341	37,229	84.2	94.6
2013	44,765	39,760	37,845	84.5	95.2
2014	46,129	40,843	39,097	84.8	95.7

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Average Annual Growth Rates in Per Capita Income

Years	U.S.	Southeast (a)	Georgia
1990 – 2000	4.6%	4.7%	4.5%
2000 – 2005	3.2	3.7	3.7
2005 – 2010	2.3	2.0	2.0
2010 – 2014	2.8	2.3	2.5

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Median Household Income ($2011 per Household)

Year	U.S.	Georgia	Georgia % of U.S.
2009	$49,777	$43,340	87.0%
2010	49,276	44,117	89.5
2011	50,054	45,973	91.8
2012	51,017	48,121	94.3
2013	51,939	47,439	91.3

Source: U.S. Bureau of Census – Current Population Survey

Real Per Capita Gross State Product
(Chained $2005 per Capita)

Year	United States	Southeast (a)	Georgia
2009	$46,706	$40,411	$41,997
2010	47,328	40,795	41,894
2011	47,720	40,668	41,866
2012	48,567	41,084	42,029
2013	49,115	41,413	42,494

(a) Southeast refers to the twelve state region made up of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Georgia Revenues and Personal Income

	Georgia Revenues (a)		State Personal Income (b)		
Fiscal Year	$Billions	Annual % Change Over 5-year Period	$Billions	Annual % Change Over 5-year Period	Georgia Revenues as a % of State Personal Income
2010 (c)	15.216	-0.8	330.341	3.2	4.6
2011 (d)	16.559	8.8	345.568	4.6	4.8
2012 (d)	17.270	6.5	363.577	4.9	4.8
2013 (d)	18.296	6.3	376.498	4.5	4.9
2014 (d)	19.168	5.9	385.395	3.9	5.0

(a) Amounts derived from the table "GEORGIA REVENUES" under line-item "Total State General Funds" in APPENDIX A.
(b) 2010 – average of total personal income for the four calendar quarters of the fiscal year
(c) Annual Percent Change for 2010 computed from 2005
(d) Annual growth computed from 2010

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; *Budgetary Compliance Report*, FY 2010, FY 2011, FY 2012, FY 2013, FY 2014

EARNINGS BY MAJOR INDUSTRY: 2014 Annual Average
($ in Billions, Seasonally Adjusted Annual Rate)

	Construction	Manufacturing	Trade	Services	Government
Georgia	$15	$27	$38	$135	$49
Southeast	132	210	266	1,015	412
United States	604	1,017	1,173	4,925	1,750

Source: U.S. Department of Commerce, Bureau of Economic Analysis

SELECTED AGRICULTURAL DATA

Georgia Cash Receipts by Selected Commodities 2008-2013 ($ in Millions)

Year	Crops	Livestock & Dairy Products	Poultry & Eggs	Vegetables & Melons	Total Receipts (a)
2009	$2,510	$4,294	$3,664	$647	$6,805
2010	3,089	4,506	3,813	546	7,595
2011	3,345	4,756	3,953	533	8,101
2012	4,028	5,245	4,410	501	9,273
2013	3,982	6,118	5,262	566	10,100

(a) Total Receipts is the sum of Crops and Livestock & Products.

Source: U.S. Department of Agriculture, Economic Research Service

2013 Farm Cash Receipts ($ in Millions)

	Georgia	United States
Crops		
Food Grains	$143	$17,244
Feed Crops	469	72,720
Cotton	1,259	6,784
Tobacco	47	1,540
Oil Crops	915	47,780
Vegetables & Melons	566	21,564
Fruit & Nuts	295	28,976
All Other Crops	286	21,819
Total Crops	3,982	218,527
Livestock and Products		
Meat Animals	464	92,087
Dairy Products, Milk	335	40,277
Poultry and Eggs	5,262	44,899
Miscellaneous Livestock	57	5,524
Total Livestock and Products	6,118	182,787
Total Farm Cash Crops	$10,100	$401,314

Source: U.S. Department of Agriculture, Economic Research Service

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APPENDIX D

CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the State of Georgia acting by and through the Georgia State Financing and Investment Commission (the "Issuer") in connection with the issuance $560,525,000 aggregate principal amount of State of Georgia General Obligation Bonds 2015A, $447,830,000 aggregate principal amount of State of Georgia General Obligation Bonds 2015B (Federally Taxable), and $275,985,000 aggregate principal amount of State of Georgia General Obligation Refunding Bonds 2015C (collectively, the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Georgia State Financing and Investment Commission on June 10, 2015 (collectively, the "Bond Resolutions"). The Issuer hereby covenants and agrees as follows:

Section 1. **Purpose of the Disclosure Agreement**. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Beneficial Owners (as hereinafter defined) of the Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule 15c2-12 (as hereinafter defined).

Section 2. **Definitions**. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Filing" shall mean any annual report provided by the Issuer pursuant to the Rule 15c2-12 and this Disclosure Agreement.

"Annual Filing Date" shall mean the date set forth in Section 4(a) and Section 4(c) hereof, by which the Annual Filing is to be filed with the MSRB.

"Audited Financial Statements" shall mean the Issuer's basic financial statements for the preceding Fiscal Year, which shall be prepared in accordance with generally accepted accounting principles, as in effect from time to time (except for any departures from generally accepted accounting principles that result in the Issuer's inability to conform to future changes in generally accepted accounting principles), and which shall be accompanied by an audit report resulting from an audit conducted by (a) the State of Georgia Department of Audits and Accounts or (b) an independent certified public accountant or firm of independent certified public accountants, in conformity with generally accepted auditing standards (except for departures from generally accepted auditing standards disclosed from time to time in the audit report).

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Effective Date" shall mean the date of original issuance and delivery of the Bonds.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule 15c2-12.

"Filing" shall mean, as applicable, any Annual Filing or Listed Event Filing or any other notice or report made public under this Disclosure Agreement and made to the MSRB in such form as shall be prescribed by the MSRB. As of the date hereof, all such filings shall be made in accordance with EMMA.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending on June 30 of the next calendar year.

"Issuer" shall mean the State of Georgia acting by and through the Georgia State Financing and Investment Commission.

"Listed Events" shall mean any of the events listed in Section 7(a) hereof.

"Listed Event Filing" shall have the meaning specified in Section 7(c) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto for purposes of Rule 15c2-12. Currently, MSRB's address, phone number and fax number for purposes of Rule 15c2-12 are:

MSRB
c/o CDINet
1900 Duke Street
Suite 600
Alexandria, VA 22314
Phone: (703) 797-6000
Fax: (703) 683-1930

"Official Statement" shall mean the Official Statement of the Issuer dated June 10, 2015 with respect to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with Rule 15c2-12 in connection with the offering of the Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Securities and Exchange Commission" shall mean the United States Securities and Exchange Commission.

"Third Party Beneficiary" shall have the meaning specified in Section 12 hereof.

"Voluntary Filing" means the information provided to the MSRB by the Issuer pursuant to Section 6 hereof.

Section 3. **Actions of the Issuer**. The Secretary of the Georgia State Financing and Investment Commission (or his authorized designee) shall be the individual person authorized to be responsible for taking all actions described in this Disclosure Agreement.

Section 4. Provision of Annual Filings.

(a) Not later than one year after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2015, the Issuer shall provide to the MSRB the Annual Filing which is consistent with the requirements of Section 5 hereof. In each case, the Annual Filing may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 5 hereof. Notwithstanding the foregoing, the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Filing when such Audited Financial Statements are available. If the Audited Financial Statements are not submitted as part of the Annual Filing to the MSRB pursuant to this Section 4(a), the Issuer shall provide unaudited financial statements to the MSRB with such Annual Filing and file the Audited Financial Statements with the MSRB when they are available to the Issuer.

(b) If the Annual Filing is not filed with the MSRB by the Annual Filing Date, the Issuer shall send a notice of such failure to the MSRB.

(c) The Issuer shall promptly file a notice of any change in its Fiscal Year and the new Annual Filing Date with the MSRB.

Section 5. Contents of Annual Filings. Each Annual Filing shall contain or incorporate by reference the following:

(a) the Audited Financial Statements;

(b) if generally accepted accounting principles have changed since the last Annual Filing was submitted pursuant to Section 4(a) hereof and if such changes are material to the Issuer, a narrative explanation describing the impact of such changes on the Issuer; and

(c) information for the preceding Fiscal Year regarding the following categories of financial information and operating data of the Issuer: (i) authorized indebtedness, (ii) state treasury receipts, legal debt margin and debt ratios, (iii) assessed valuation, (iv) revenue shortfall reserve, (v) state revenues, (vi) analysis of general fund receipts, (vii) summary of appropriation allotments, (viii) monthly cash investments, and (ix) purchases for cancellation of state general obligation debt and state guaranteed revenue debt.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by Rule15c2-12), which have been submitted to the MSRB or the Securities and Exchange Commission. Any document incorporated by reference must be available to the public on the MSRB's Internet Website or be filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 6. Voluntary Filings.

(a) The Issuer may file information with the MSRB from time to time (a "Voluntary Filing").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information using the means of dissemination set forth in this Disclosure

Agreement or including any other information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing, in addition to that specifically required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Filing, Annual Financial Statement, Voluntary Filing or Listed Event Filing.

(c) Notwithstanding the foregoing provisions of this Section 6, the Issuer is under no obligation to provide any Voluntary Filing.

Section 7. __Reporting of Significant Events__.

(a) The occurrence of any of the following events with respect to a particular series of the Bonds constitutes a "Listed Event" only with respect to such series of the Bonds:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(vii) Modifications to rights of Beneficial Owners, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the Issuer.

(xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) For the purposes of the event identified in Section 7(a)(xii) hereof, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(c) The Issuer shall in a timely manner and not in excess of ten business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB (each a "Listed Event Filing"). Notice of Listed Events described in subsections (a)(viii) and (ix) above shall be disseminated automatically and need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Bonds pursuant to the Bond Resolution.

Section 8. **Termination of Reporting Obligation**. The Issuer's obligations under this Disclosure Agreement shall terminate as to a particular series of the Bonds upon the legal defeasance, prior redemption, or payment in full of the affected series of Bonds. If such termination occurs prior to the final maturity of the affected series of Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 7(c) hereof.

Section 9. **Dissemination Agent**. The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Issuer shall be the dissemination agent.

Section 10. **Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if:

(a) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or type of business conducted by the Issuer;

(b) such amendment or waiver does not materially impair the interests of the Beneficial Owners, as determined either by an unqualified opinion of nationally recognized bond counsel filed with the Issuer or by the approving vote of the Beneficial Owners owning more than two-thirds in aggregate principal amount of the Bonds outstanding at the time of such amendment or waiver; and

(c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate Rule 15c2-12 if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of Rule 15c2-12, as well as any change in circumstances.

If any provision of Section 5 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

If the provisions of Section 5 hereof specifying the accounting principles to be followed in preparing the Issuer's financial statements are amended or waived, the Annual Filing for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to the Beneficial Owners to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. The Issuer shall file a notice of the change in the accounting principles in the same manner as for a Listed Event under Section 7(c) hereof on or before the effective date of any such amendment or waiver.

Section 11. **Default**. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Third-Party Beneficiary may take such actions as may be necessary or appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a "default" or an "event of default" under the Bond Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance. The cost to the Issuer of performing its obligations under the provisions hereof shall be paid solely from funds lawfully available for such purpose. Nothing contained in the Bond Resolution or in this Disclosure Agreement shall obligate the levy of any tax for the Issuer's obligations set forth herein.

Section 12. **Beneficiaries**. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Neither this Disclosure Agreement, nor the performance by the Issuer of its obligations hereunder, shall create any third party beneficiary rights, shall be directly enforceable by any third party, or shall constitute a basis for a claim by any person except as expressly provided herein and except as required by law, including, without limitation, Rule 15c2-12; provided, however, the Participating Underwriters and the Beneficial Owners are hereby made third party beneficiaries hereof (collectively, and each respectively, a "Third Party Beneficiary") and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 11 hereof.

Section 13. **Intermediaries; Expenses**. The Dissemination Agent appointed hereunder, if any, is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorney's fees).

Section 14. **Counterparts**. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Georgia, excluding choice of law provisions, and applicable federal law.

Section 16. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

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SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT

FOR

STATE OF GEORGIA GENERAL OBLIGATION BONDS 2015A

STATE OF GEORGIA GENERAL OBLIGATION BONDS 2015B (FEDERALLY TAXABLE)

STATE OF GEORGIA GENERAL OBLIGATION REFUNDING BONDS 2015C

This Continuing Disclosure Agreement is hereby executed and delivered by a duly authorized official of the Issuer, to be effective as of the Effective Date.

STATE OF GEORGIA

By: ***/s/ Greg S. Griffin*______________________**
GREG S. GRIFFIN
Secretary, Georgia State Financing and Investment Commission

APPENDIX E

FORM OF OPINION OF BOND COUNSEL
TAX-EXEMPT BONDS

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Holland & Knight LLP
1201 West Peachtree Street
Suite 2000
Atlanta, Georgia 30309
Main: 404/817-8574
Fax: 404/881-0470

July 9, 2015

Georgia State Financing and Investment Commission
State Capitol
Atlanta, Georgia

Re: $560,525,000 State of Georgia General Obligation Bonds 2015A
$275,985,000 State of Georgia General Obligation Refunding Bonds 2015C

Ladies and Gentlemen:

We have acted as Bond Counsel to the State of Georgia (the "State") and the Georgia State Financing and Investment Commission (the "Commission") in connection with the issuance by the State of its $560,525,000 General Obligation Bonds 2015A (the "2015A Bonds") and its $275,985,000 General Obligation Refunding Bonds 2015C (the "2015C Bonds" and, together with the 2015A Bonds, the "Tax-Exempt Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(1) The Tax-Exempt Bonds have been duly authorized and executed by the State, and are valid and binding general obligations of the State in accordance with their terms.

(2) Under the Constitution of the State, the General Assembly of the State is required to raise by taxation and to appropriate to a special trust fund designated "State of Georgia General Obligation Debt Sinking Fund" in each fiscal year such amounts as are necessary to pay the debt service requirements in such fiscal year on all general obligation bonds issued pursuant to the Constitution. The Constitution also provides that if for any reason the monies in the Sinking Fund are insufficient to make, when due, all payments required with respect to general obligation bonds, the first revenues thereafter received in the general fund of the State shall be set aside to the extent necessary to cure the deficiency and deposited into the Sinking Fund; provided, however, the obligation to make such Sinking Fund deposits shall be subordinate to the obligation imposed upon the fiscal officers of the State pursuant to the provisions of Article VII, Section IV, Paragraph III of the Constitution with respect to contracts of the State securing outstanding obligations of various State authorities. The Constitution now provides that the State and all State institutions, departments and agencies of the State are prohibited from entering into any contract (except contracts pertaining to guaranteed revenue debt) intended to secure any bonds or other obligations of any public agency, public corporation, authority or similar entity.

(3) The full faith and credit of the State are pledged to the payment of the principal of and interest on the Tax-Exempt Bonds.

(4) Interest on the Tax-Exempt Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the State and the Commission comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The State and the Commission have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Tax-Exempt Bonds. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Tax-Exempt Bonds.

(5) The interest on the Tax-Exempt Bonds is exempt from present State of Georgia income taxation.

The rights of the owners of the Tax-Exempt Bonds and the enforceability of the Tax-Exempt Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement, dated June 10, 2015, relating to the Tax-Exempt Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Tax-Exempt Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

HOLLAND & KNIGHT LLP

By: ______________________________
A Partner

APPENDIX F

FORM OF OPINION OF BOND COUNSEL
TAXABLE BONDS

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Holland & Knight LLP
1201 West Peachtree Street
Suite 2000
Atlanta, Georgia 30309
Main: 404/817-8574
Fax: 404/881-0470

July 9, 2015

Georgia State Financing and Investment Commission
State Capitol
Atlanta, Georgia

Re: $447,830,000 State of Georgia General Obligation Bonds 2015B (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the State of Georgia (the "State") and the Georgia State Financing and Investment Commission (the "Commission") in connection with the issuance by the State of its $447,830,000 General Obligation Bonds 2015B (Federally Taxable) (the "2015B Bonds" and the "Taxable Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(1) The Taxable Bonds have been duly authorized and executed by the State, and are valid and binding general obligations of the State in accordance with their terms.

(2) Under the Constitution of the State, the General Assembly of the State is required to raise by taxation and to appropriate to a special trust fund designated "State of Georgia General Obligation Debt Sinking Fund" in each fiscal year such amounts as are necessary to pay the debt service requirements in such fiscal year on all general obligation bonds issued pursuant to the Constitution. The Constitution also provides that if for any reason the monies in the Sinking Fund are insufficient to make, when due, all payments required with respect to general obligation bonds, the first revenues thereafter received in the general fund of the State shall be set aside to the extent necessary to cure the deficiency and deposited into the Sinking Fund; provided, however, the obligation to make such Sinking Fund deposits shall be subordinate to the obligation imposed upon the fiscal officers of the State pursuant to the provisions of Article VII, Section IV, Paragraph III of the Constitution with respect to contracts of the State securing outstanding obligations of various State authorities. The Constitution now provides that the State and all State institutions, departments and agencies of the State are prohibited from entering into any contract (except contracts pertaining to guaranteed revenue debt) intended to secure any bonds or other obligations of any public agency, public corporation, authority or similar entity.

(3) The full faith and credit of the State are pledged to the payment of the principal of and interest on the Taxable Bonds.

(4) The interest on the Taxable Bonds is exempt from present State of Georgia income taxation.

The rights of the owners of the Taxable Bonds and the enforceability of the Taxable Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement, dated June 10, 2015, relating to the Taxable Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Taxable Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

HOLLAND & KNIGHT LLP

By: ________________________________
A Partner

APPENDIX G

REFUNDED BONDS

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SUMMARY OF GENERAL OBLIGATION BONDS REFUNDED BY THE 2015C BONDS					
Bond Series	Maturity Date	Interest Rate	Par Amount	Payment or Redemption Date	Payment or Redemption Price
2005B	July 1, 2016	5.00%	$54,780,000	8/12/2015	100%
2005B	July 1, 2017	5.00	89,135,000	8/12/2015	100
2005B	July 1, 2018	5.00	88,790,000	8/12/2015	100
2005B	July 1, 2019	5.00	56,960,000	8/12/2015	100
2005B	July 1, 2020	5.00	10,945,000	8/12/2015	100